Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs25	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux.	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.800
Iceland	IKr160	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,605

Monday November 11 1991

Φ D 8523A

NUCLEAR FUSION

Scientists toast historic success

Page 14

World News

Sweeping reforms planned by Mitterrand

French president François Mitterrand yesterday said he would propose big constitutional reforms next year, including a shorter presidential term of office and greater powers for parliament.

Speaking on French television, he said the proposals would be put to a referendum and hinted that he might resign before his term of office expires in 1995. Page 16

Shells fall on Dubrovnik

Yugoslav gunboats pounded the besieged Croatian port of Dubrovnik while federal troops increased their attacks on strategic towns. Croatia introduced press censorship. Page 16

Maxwell buried in Israel

Publisher Robert Maxwell was buried in Jerusalem. Amid continuing inquiries into his dramatic death at sea, a Spanish laboratory has been testing tissue samples for signs of poisoning. Page 16; Tissue test, Page 9; MCC dividend, Page 17; Loans, Page 20

Iraq attacks Kurds

Iraqi government troops attacked Kurdish guerrillas near the Kurdish city of Irbil. The attack came after Kurds ignored an Iraqi demand for them to withdraw.

Austrian polls

Austria's right-wing Freedom Party, which advocates ending immigration, became Vienna's second-biggest party after scoring a political coup in municipal elections.

Palestinians clash

Three gunmen were killed when two rival Palestinian groups clashed at Ain al-Hilweh refugee camp in southern Lebanon. In the occupied West Bank, thousands turned out to greet Palestinian delegates returning from the Madrid peace conference. Picture, Page 4

Haughey reshuffle

Irish prime minister Charles Haughey is expected to change his cabinet radically tomorrow after defeating a challenge to his leadership of the Fianna Fail party. Only 22 deputies out of 77 proved willing to vote openly against Mr Haughey. Page 16; Details, Page 2

Arrested for murder

One of 59 Vietnamese boat people deported from Hong Kong on Saturday was arrested for murder after landing in Hanoi.

Union curbs 'right'

UK government plans legislate more curbs on the power of trade unions could damage industrial relations, according to a survey of managers by the British Institute of Management. Employer-union accord, Page 3

Arms intercepted

Two boats carrying explosives and detonators were captured by the Indian navy off Tamil Nadu state. One of the boats, believed destined for Sri Lankan Tamil rebels, sank while it was being towed to Madras.

UN polling resumes

United Nations Security Council members will be polled informally today on their choices for a secretary-general to succeed Javier Perez de Cuellar, who wants to leave office at the end of the year.

Braced for air chaos

French officials forecast chaos at the country's airports today because of a continuing strike by air control technicians demanding extra staff and higher pay.

American held

German police have arrested a US military museum director in Frankfurt. His flat was found to contain 50 weapons, a crocodile in the bath and a python in a cupboard.

Business Summary

Cost of unit labour converges across Europe

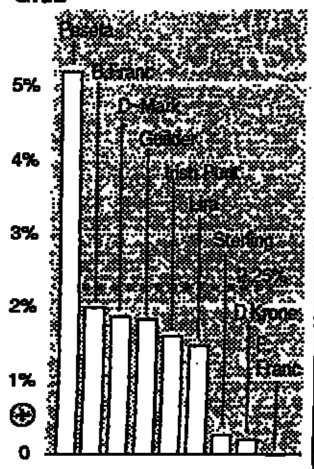
German factory workers are paid no more than their British counterparts, when relative productivity is taken into account, according to a Financial Times study.

Unit wage costs in France and Italy are also almost the same. For every DM 1 of output in the four largest European economies in 1990, only 4 pfennigs separated the highest and lowest cost producers, at current exchange rates. Page 16

EUROPEAN Monetary System: The D-Mark strengthened within the ERM last week on speculation that German interest rates will rise. Although the Bundesbank left rates unchanged at its council meeting, the D-Mark remained firm. The French franc was weak and the Bank of France was forced to support the franc, while the Italian lira slipped slightly after a small cut in money market rates. Currencies, Page 29

EMS November 8, 1991

GRID



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

SOVIET Union is in imminent danger of defaulting on official debts, and it may now be too late for the west to help, the chief executive of Deutsche Bank believes. Page 2

GENERAL MOTORS, US motor group, estimates that it will have to raise a non-cash charge of $16bn to $24bn in order to comply with a new standard of accounting for non-pension employee retirement benefits, notably healthcare. Page 17

NORWAY is seeking to extend banking sector controls, including powers to force the writedown of shares in troubled banks. If approved by parliament, the plan will move the sector a step closer to nationalisation. Page 18

TWA, heavily indebted airline controlled by Carl Icahn, unveiled after-tax losses of $51.3m for the three months to end-September, despite the benefit of a $37.3m gain on asset sales. A year ago, it reported a net $14.7m deficit. Page 18

FIRST National Finance Corporation, loss-making UK consumer finance and commercial banking group, has sold £150m ($267m) of loans to two continental banks and expects to make a further £50m disposal in a month. Page 18

DAIHATSU Motor, Japanese motor group, reports a 45.9 per cent plunge in unconsolidated pre-tax profits to Y3.6bn ($28m) for the first half to September, due to the sluggish domestic minicar market. Page 18

BCCI 'stole over $2bn from Abu Dhabi ruler'

THE Bank of Credit and Commerce International stole more than $2bn out of the personal account of the ruler of Abu Dhabi, according to sources close to the investigation of the scandal-ridden bank, write Financial Times reporters.

The final figure might be as high as $2.5bn, according to one investigator, who stressed that the accounts were still being pieced together. This would probably earn the theft a place in history as the largest on record from an individual.

Much of the money was used by BCCI to cover up enormous losses which had been incurred by the bank's treasury department in the mid-1980s. But part of it also went to finance some of the hundreds of millions of dollars of fraudulent loans which were made by the bank, and which forced the regulators to shut it down in July.

Although the theft represents only a portion of Abu Dhabi's total losses in BCCI, it is thought by western investigators to be a major reason why Abu Dhabi is now intent on prosecuting the alleged perpetrators of BCCI's fraud itself. The emirate is currently holding 18 of BCCI's top executives in police custody, including two former chief executives, Swaleh Naqvi and Zafar Iqbal.

'This bank would bribe God' Page 8

Sheikh Zayed bin Sultan al-Nahyan, who was a founder shareholder of BCCI, was long a close personal friend of its president, Agha Hasan Abedi, and is believed to have entrusted him with his entire share of Abu Dhabi's oil revenues over a period of several years during the early 1980s.

According to Price Waterhouse, the accountants who prepared the report on BCCI which led to its closure last July, the ruler also gave Abedi power of attorney over his financial affairs, though this has not been confirmed by the Abu Dhabi side.

Sheikh Zayed's share of the oil revenues was said by one source familiar with the Abu Dhabi ruling family's private financial affairs, to be 8 per cent. In dollar terms this would amount to between $500m and over $1bn a year, depending on the value of the oil price.

Abu Dhabi's oil revenues were placed with the National Bank of Abu Dhabi, the emirate's leading bank. It was from here that the Ruler's share was transferred into accounts at ICIC, the offshoot of the BCCI group located in the Cayman Islands which looked after BCCI's largest Middle East clients. Although ICIC was not officially owned by BCCI, it was closely controlled by Abedi and played a key role in the frauds, according to PW's allegations.

Sheikh Zayed and members of his family also appear on BCCI's books as a borrowers from the bank. The FT has seen a list compiled by BCCI of its major borrowers at the end of the first quarter of this year. This lists Sheikh Zayed as customer number 1800 and shows a loan balance of $60.5m against a lending limit of just over $200m. His son, crown prince Khalifa, appears as customer number 1200 and has a loan balance of $89m against a limit of $122.6m. However, Abu Dhabi officials say these loans are fictitious.

Bush makes concession to unblock trade talks

By **William Dullforce** in Geneva and **David Gardner** in Brussels

AN IMPORTANT concession by President George Bush over the cuts in European farm subsidies has unblocked the stalled Uruguay round of world trade talks, paving the way for an agreement.

According to senior officials at the five-year-old Uruguay trade round, the US president has intervened to reduce the targets set by Washington for the reduction in the subsidies paid to European farmers.

The breakthrough on this politically-charged issue is understood to have followed talks in The Hague between Mr Bush and Mr Jacques Delors, the EC Commission president, when it appeared that the gap between the two sides remained too big to close in spite of some progress.

"On Friday, we were not sure we could complete the round; on Saturday, it began to look likely again," one top-level negotiator said.

Mr Delors said after The Hague meeting that he was, "for the first time, optimistic that we can get an agreement on the Uruguay round in the coming three months". The meeting had given a very important signal for the world economy, he said.

Washington, supported by the Cairns Group of 14 farm-exporting countries led by Australia, has been demanding reductions over 10 years of 90 per cent in export subsidies and 75 per cent in domestic supports and border protection. Brussels has not budged from its offer to cut domestic supports by 30 per cent counting from 1986.

In the past two weeks, US negotiators had been talking of a deal under which farm assistance would be cut by 50 per cent over five years with a "continuation clause" attached to guarantee that more reductions would follow. But EC ministers doubted whether the US would finally agree to a steep downgrading of its original demands.

Mr Bush had effectively "brought the talks into a ball park where people cannot go on saying we are discussing unrealistic figures", one official said. Both sides were now "working with figures that pass the probability test", an EC official concurred.

At The Hague, Mr Bush made it clear that the US was ready to accept a lower level of reductions. On export restitutions, proposals for a 30 per

Continued on Page 16

China to adopt flexible stance in regional alliance, Page 4

Russian troops prepare to leave Grozny after Moscow announced their withdrawal from the region

Russian troops leave rebel region

By **John Lloyd** in Moscow

TROOPS SENT to the self-declared republic of Chechen Ingushetia by Russian President Boris Yeltsin retreated last night after being surrounded by separatist national guardsmen.

A detachment of some 650 Russian interior ministry troops was sent to the autonomous republic's capital, Grozny, on Friday night, to enforce a state of emergency imposed by Mr Yeltsin.

The troops were yesterday reported to be have been withdrawn by bus to the nearby city of Vladikavkaz, capital of the neighbouring autonomous republic of north Ossetia.

The Russian troops had earlier been surrounded by Chechen national guardsmen at Grozny's military airport.

The decision to withdraw seems to have been taken on the initiative of the local commander.

During the day, the republic's president, General Djokhar Dudayev, rallied his people in opposition to the state of emergency.

Mr Yeltsin refused to recognise Gen Dudayev's victory in elections called by local opposition groups led by the general. Mr Yeltsin ruled that the elections, held last month, were illegal as they had not been called by Moscow.

Dressed in green fatigues and flanked by armed men, Gen Dudayev told a news conference: "I boldly state that any provocative acts of state terrorism against our people will not go unavenged."

"There are many mechanisms for this, very many, and we will inflict as much suffering as it [Russia] inflicted on this land. *Everything is prepared.*"

Gen Dudayev has responded to the declaration of the state of emergency by imposing martial law and calling the nation to arms in defence of its independence. All men in the republic between 15 and 55 are being mobilised.

Hundreds of people milled around central Grozny late yesterday, chanting and waving green Islamic flags, hunting rifles and automatic weapons.

The events in the small, mainly Moslem, republic of 1.4m people is being seen as a test of Mr Yeltsin's political skills. It will also indicate what strategy he intends to pursue towards the nationalities and ethnic groups of Russia.

Radio Russia reported that Mr Akhmed Arsanov, sent by Mr Yeltsin as his plenipotentiary to Grozny a month ago, has said he would resign in protest at Mr Yeltsin's declaration of a state of emergency.

The decision also drew criticism over the weekend from Mr Gavril Popov, the mayor of Moscow, who said that "Russia is overwhelmed with imperialist ideas – all autonomous republics should be allowed to

Continued on Page 16

Test of Yeltsin's will, Page 2

UK rejects draft treaty on European political union

By **Alison Smith** in London and **Quentin Peel** in Bonn

THE UK would be unable to sign the latest draft treaty on European political union, Mr John Major told Chancellor Helmut Kohl in Bonn yesterday.

UK officials said after the talks last night, however, that the two leaders were determined to work together towards a successful conclusion at the EC summit in Maastricht next month.

It was agreed after a meeting described as "friendly and constructive" that discussions would resume on November 27 when Mr Major is due in Bonn.

The talks, which only foreign affairs advisers attended, ranged over not only European economic and political union but also the deteriorating situation in the Soviet Union and Yugoslavia.

Mr Major made clear that Britain was still working for agreement on political union but found difficulties with the current text. The final text is due to be presented to the EC summit. The main areas on which Britain differs from Germany are on giving the Community a role in interior and justice issues, particularly immigration and asylum; giving the European Parliament powers of co-decision with the Council of Ministers; extending competence and qualified majority voting; and inclusion in the text of a reference to Europe's "federal goal", all of which the UK opposes.

There was no indication in advance of the talks yesterday of any German readiness to compromise on individual issues, apart from the general desire to see an agreement in Maastricht.

The German chancellor has repeated his wish to see the "federal" development of the EC, to see "co-decision-making" in the European Parliament, and has rejected intergovernmental co-operation as inadequate for control of cross-border crime and immigration.

In spite of British suggestions that Mr Kohl is more accommodating on future European defence policy than before, German officials insist that the Franco-German plan to bring the Western European Union under the umbrella of European (Community) political union remains their policy.

Nonetheless, both leaders want to help each other. Mr Kohl is in effect telling Mr Major that if the UK will move towards the German position in some key areas, such as foreign policy and immigration, he will seek to persuade President François Mitterrand to compromise at the Franco-German summit in Bonn later this week.

In London yesterday, Mr Michael Heseltine, the environment secretary, underlined the government's concern as he warned that immigration and asylum issues would be the most difficult for the Community to resolve.

Emu differences, Page 3

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"I'm in politics because I believe that my socialism, properly explained, would appeal to 80 per cent of the population," says Bryan Gould, environment spokes man for Britain's opposition Labour party
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TODAY:

European Finance and Investment: the UK: Next year's UK election and the evolution of the EC become the dominant consideration for bankers, brokers and insurers.

TOMORROW:

Computers in Finance: Investment continues but a closer eye is kept on the benefits that might accrue.

THURSDAY:

Vietnam: Enthusiastically making the most of the resources available.

Irish prime minister survives leadership challenge

Haughey to reshuffle cabinet

By Tim Coone in Dublin

MR Charles Haughey, the Irish prime minister, is expected to reshuffle his cabinet tomorrow after defeating a challenge for his party's leadership from Mr Albert Reynolds, his former finance minister who was dismissed last Thursday, writes Tim Coone in Dublin.

Mr Haughey has also fired Mr Padraig Flynn, the environment minister, and three junior ministers for voting against him on a confidence motion, tabled in a special meeting of the parliamentary grouping of the Fianna Fail (Soldiers of Destiny) party.

Mr Haughey turned the tables on his opponents by insisting that an open ballot be held, instead of a secret one. Only 22 deputies out of 77 proved willing to vote against the prime minister openly.

Mr Reynolds made what was described as "a scathing and savage attack" on Mr Haughey in the 15-hour no-confidence debate, which finished in the early hours yesterday. He claimed he had been subjected to "a disinformation campaign" organised from the prime minister's press office, and that his home had been placed under surveillance.

However, he put a brave face on his defeat, saying he was encouraged by the support he had received and that he intended to challenge Mr Haughey again.

On emerging from the gruelling session yesterday morning, Mr Flynn said: "The leadership issue is finished." But the question remains whether Mr Haughey can whip his junior coalition partners, the Progressive Democrats (PDs), into line in the months ahead in the way he has done with his own party.

It is by no means certain the leadership issue is indeed dead.

Rumblings from financial scandals continue; allegations of political favouritism and corruption in the beef industry and two state-run companies are being examined in a series of government inquiries which will unfold in the months ahead. If further surprises are in store, the PDs' own political future will be called into question.

The Progressive Democrats were born out of a previous leadership challenge to Mr Haughey in 1985 from within Fianna Fail. The rebels decided then to abandon the party which they felt was being irreparably damaged by Mr Haughey, and formed their own.

There has been disquiet within the PDs over staying in the coalition, formed in 1989, especially as Mr Haughey has once again given the impression of dragging the government into the mire of scandal. Should they pull out, general elections will have to be called.

Mr Haughey has the option of offering them senior cabinet posts in the reshuffle; the finance and environment portfolios have to be filled following the sacking of Mr Flynn and Mr Reynolds.

The PDs have their sights set on the Finance Ministry, and wish to introduce more sweeping tax reforms than Mr Reynolds was prepared to contemplate. Offering such a key post to the PDs would not sit well with Mr Haughey's party though as the post is widely viewed as a springboard to the prime minister's post.

Indeed, one of the reasons why Mr Reynolds was abandoned by most of his cabinet colleagues in his challenge to Mr Haughey was that they saw an opportunity to eliminate Mr Reynolds in the succession stakes, and give themselves time to prepare their own campaigns.

Mr Haughey raised expectations of change when he told party leaders recently that he would step aside once he had completed the policy agenda ahead of him. This has been widely understood within the cabinet to mean before next Easter.

None the less, he has been studiously non-committal about his intention to carry on to the next general election, constitutionally due in two and half years.

His ambiguity precipitated Mr Reynolds' challenge, and if it continues is likely to trigger other contests in the months ahead.

After yesterday's vote, senior cabinet ministers continued to offer diverging views on what they believe to be Mr Haughey's intentions.

The government faces a tough year ahead on several fronts. A tight budget will have to be implemented and difficult negotiations are expected with the trade unions, while the escalation in violence in Northern Ireland is creating growing concern in the south.

; increasingly vocal unionist calls for internment on both sides of the border to crack down on the IRA will be a very divisive issue, as will proposals to amend the Irish constitution to drop the republic's formal territorial claim to the North.

Mr Haughey's reprieve may thus be only temporary.

Nationalism will test Yeltsin

By John Lloyd in Moscow

A SMALL autonomous republic in the North Caucasus has become the first big test of Russian President Boris Yeltsin's political skill.

What Mr Yeltsin does to and with Chechen Ingushetia, whose 1.4m people live on a 7,500-square-mile territory between the Black and Caspian seas, will reveal much about the strategy he means to pursue towards the nationalities and ethnic groups of Russia.

He faces a situation whose immediate trigger was the failed coup of August 19: a failure which made him the most important politician in the Soviet Union but which also gave the Chechen nationalist movement an opportunity to seize power.

Chechens fire in the air after hearing that government troops were withdrawing

The Chechen and the Ingush, both Sunni Moslem, have as many problems as any peoples in the Soviet Union. They are two of the many Caucausian ethnic groups, with their own language and oral cultures – the Chechen being the more numerous.

During the war they were uprooted and sent to Kazakhstan because of alleged collaboration with the Germans, who succeeded in playing on Caucasian ethnic rivalries to gain support against the Soviets.

Since they were restored to their lands in the 1950s, their autonomous republic, the most easterly of four such republics on the Russian side of the Russian-Georgian border, has been under a Soviet-Russian jurisdiction which has more or less kept the peace by suppressing dissent, especially that of a nationalist kind.

During the coup, the conservative leadership supported the putschists, at least passively: on August 22, the day after the coup's failure, the streets of the capital, Grozny, were filled with demonstrators demanding the resignation of the republican government because of its identification with the putsch.

The government hung on, as did the demonstrators, for two weeks: finally, on September 6, it resigned.

This brought to the fore General Dzhakar Dudayev, leader of the Chechen National Congress – described by the Soviet press at the time as "pro-Yeltsin". Gen Dudayev, 45, was forced to retire from the air force earlier this year, according to rumour, for becoming too politically involved. He told Pravda two months ago he had been a communist until last year.

Gen Dudayev moved quickly to fill the power vacuum: he formed an executive committee of the National Congress of the Chechen People, and gradually wrested power away from the remnants of the former republican government.

He called presidential elections for October 27, with himself as the leading candidate.

He was elected, but on a turnout said to be as low as 200,000. The election was not approved by the Russian authorities, who then declared it illegal.

Mr Yeltsin's ultimatum at the end of September for the Dudayev-created national guard to disarm was ignored.

On Friday evening the Russian president decided to act and declared a state of emergency, and a dusk-to-dawn curfew. He also despatched a small detachment of interior ministry troops to Grozny, but these were last night reported to have withdrawn to nearby Vladikavkaz, capital of the autonomous republic of north Ossetia after being surrounded by separatist guardsmen.

For his part Gen Dudayev has declared martial law, and called the nation to arms.

The situation is triply dangerous. It could in the near future develop into a shoot-out in which the Russian troops are seen as imperialist. Added to this is the fact that the Vainakh Democratic party, which supports Gen Dudayev, has linked with similar groups in other Moslem Caucasian republics, and may be able to draw them into an anti-Russian "jihad" – holy war.

Third, Chechen Ingushetia has already demanded that Vladikavkaz, an Ingush city before the war, be returned to the republic. A new bout of internecine strife could accompany a Caucasian-Russian struggle.

It is for these reasons that Mr Yeltsin's moves are now important. Once a critic of Mr Mikhail Gorbachev's "Soviet imperialism", he now stands accused of an older form of the same disease: Russian imperialism. He may choose to accept that description rather than back away from what he and many of his advisers see as a test of will.

Soviet Union 'in imminent danger of debt default'

By Quentin Peel in Bonn

THE Soviet Union is in imminent danger of defaulting on official debts, and it may now be too late for any western "safety net" to prevent it, according to Mr Hilmar Kopper, the chief executive of Deutsche Bank.

After returning from Moscow last week, Mr Kopper denied that a Soviet debt default would cause a crisis in western and particularly German capital markets, in spite of the heavy exposure of German banks.

"The liquidity crisis is extremely acute," he told a Munich meeting of economic journalists. Claiming an exact knowledge of the Soviet foreign currency figures, he said that "until early Monday morning, nothing will happen... from Monday on, anything is possible."

Deutsche Bank, which has been lead manager for big export finance packages to the Soviet Union, almost certainly has the largest individual exposure among western banks and at the same time the best banking and political contacts there. Mr Kopper has been arguing since the August coup that the west should put together an emergency loan of \$4bn-\$5bn to tide the country over its immediate balance of payments crisis.

It was now probably too late for such a move. The Deutsche Bank chief said he was afraid the west had "talked for too long over the patient's bed, and now he is already dead".

Total Soviet foreign debt is put at more than \$60bn, of which debt to Germany alone is put at some DM35bn (\$21.5bn), including unpaid debts inherited from the former East Germany.

German officials say that so far there has been no instance of default on any Soviet payments officially guaranteed by Vnesheconombank, the Soviet bank for foreign economic relations. Hermes gives guarantees only for export contracts which also have backing from Vnesheconombank.

On the other hand, German exporters who have accepted contracts without backing from Vnesheconombank are already facing arrears in payments of DM2.5bn-DM3bn, and many small and medium-sized companies are facing bankruptcy as a result, the officials say.

Individual republics, including Russia, are trying to persuade the German authorities to give export credit guarantees direct to their foreign trade banks – without going via Vnesheconombank – but the officials say they are doubtful that any have enough gold or foreign currency reserves to guarantee repayments.

Mr Kopper said that if the individual republics accepted responsibility for repayment of existing Soviet debts, from 1992 it might be possible to negotiate individual debt forgiveness agreements.

He said there should be no German banking crisis, because 1991 had been a good year for the system in other respects, and much Soviet bad debt had already been allowed for. Analysts estimate that Deutsche Bank could be owed around DM1.5bn in uninsured loans, followed by Dresdner Bank and Commerzbank with exposure of about DM1bn each.

Doubts over Warsaw government

PROFESSOR Bronislaw Geremek, who was asked by President Lech Walesa at the weekend to form the next Polish government, doubts he will succeed, Christopher Bobinski writes from Warsaw. "I cannot say I am convinced my mission will be successful," Prof Geremek said after hearing the other parties' reservations.

The election on October 27 left parliament dominated by seven big groupings forming three blocs almost equal in strength.

The right-wing Christian Democrat parties have already opposed the choice of Mr Geremek as a potential prime minister and had reached preliminary agreement on forming a

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Ministers meet to thrash out Emu differences

By David Buchan in Brussels

MINISTERS of the 12 European Community member states will spend most of this week trying to narrow their differences on political and monetary union to a point where settlement can be reached at next month's Maastricht summit.

The Dutch presidency of the EC has tabled virtually all the outstanding issues in the economic and monetary union (Emu) negotiations for discussion by finance ministers in Brussels today and tomorrow.

Italy will also have its budget problems discussed by its EC partners, as part of a drive to get the economies of the Twelve to converge in the run-up to Emu.

Tomorrow foreign ministers gather for a special two-day conclave at Noordwijk on the Dutch coast in an attempt to reach the maximum degree of agreement on a revised political union text which the Dutch presidency sent its partners *yesterday.*

By the end of this conclave, which may stretch to Thursday morning, "we hope to have agreement on the bulk of the text," a senior EC official said yesterday, "with the remaining problems going to Maastricht". He said that "we need to define with sufficient precision what we cannot agree on" so that Mr Ruud Lubbers, the Dutch prime minister, can pursue these points in bilateral talks with fellow EC leaders before Maastricht.

Almost the only controversial Emu issue which is not scheduled for debate this week is that of the general let-out clause. The Dutch propose to write this into the treaty to suit Britain, but to counter-balance it with a declaration by which other countries would promise not to use the let-out themselves. Several of the UK's partners regard this as an absurd, not to say dangerous, ruse. But this essentially political problem will probably not be resolved until Maastricht.

Much of this week's argument among finance ministers is expected to centre on the composition and function of the European Monetary Institute (EMI), the new body which the Dutch propose should co-ordinate the Twelve's monetary policies in the transition to the planned European central bank and a single currency.

Despite progress reported in last week's talks between their two finance ministers, France is still pressing for the EMI to prefigure the European central bank in having a powerful EC-appointed president and some currency reserves at its disposal, and Germany is still resisting anything resembling such a bank until the moment EC states pool their monies into one currency.

The new political union text is merely designed to reflect ministerial discussions over *the past month. These have* produced:

- A possible compromise over the European parliament, giving it still more say on, and a last-resort veto over, internal market laws. Britain's partners hope it can agree to this, since the internal market is a legislative area in which Strasbourg MEPs already have considerable clout;
- Refinements in the texts on extending majority voting in social policy, and on creating new EC competence in such areas as health, education, industry and consumer protection. "We cannot go much further here in purely drafting terms," said an EC official yesterday. "Ministers must soon accept, or decide that agreement is impossible," he added;
- Glimmerings of a compromise on common foreign policy. "The rule would be that the decisions would be taken by unanimity, unless they are of a technical, implementing nature," said the official.

Bush rediscovers an enthusiasm for Europe

By Lionel Barber, US Editor, in Brussels

PRESIDENT George Bush has rediscovered his enthusiasm for a united Europe. This enthusiasm is not without qualification; but at the end of his four-day trip to Rome and The Hague, Mr Bush showed that he is adjusting to the transformation of the transatlantic alliance, hastened by the end of the Cold War and the disintegration of the former Soviet Union.

Proof, if it were needed, came in an address in The Hague on Saturday. Mr Bush spoke of a "new Atlantic partnership" in which Europe – primarily the EC – would take on larger responsibilities in foreign policy, security and aid to the emerging democracies in central and eastern Europe.

"We welcome the emergence of the new Europe, in the European Community's march towards a single market and political union, in the revival of the Western European Union, in the EC's new accord with the European Free Trade Association," he declared.

Mr Bush's embrace of the new Europe may amount to a recognition of the inevitable, similar to his early support of German unification. But it marks his most striking endorsement since his Boston speech in the May 1989; the US President clearly wants to work with – rather than against – the process of political and economic integration.

The results of the Nato summit in Rome and his summit with the EC in The Hague support this conclusion. *First, Mr Bush sought and won* assurances in Rome that the Europeans want a continuing US military presence on the Continent; second, he secured agreement that the Nato alliance will be "the essential forum for consultation among the allies" on security and defence commitments of its members; third, he won support for expanding formal links between Nato and the former communist countries to the east.

The precise detail on the future relationship between the reshaped Nato and Europe's plans for its own "defence identity" remains unclear; but the US response is that this was inevitable, in the light of next month's European conference on political union in Maastricht. The most important US goal in Rome was to reach a broad consensus which left

President George Bush, Ruud Lubbers, the Dutch prime minister and Jacques Delors, EC Commission president in the Hague on Saturday

Nato with a future.

Mr Bush also took comfort from the joint Nato and US-EC statements on eastern Europe and the Soviet Union which set out the conditions for integration of the former communist bloc into the world community, such as respect for borders, the right of minorities and the rule of law.

The French complained about "preaching", but the US-EC declaration contained blunt language that the respect of these principles "will be fundamental to the development of our relations". Implicitly, this means economic aid. Indeed, a foretaste of future joint action against those who violate the Helsinki Act principles came when Mr Bush pledged support on Saturday for EC sanctions against Yugoslavia.

There was give as well as take, on the US side. Mr Bush's new proposals on agriculture seem a good-faith effort to break the log jam in the Gatt multi-*lateral trade talks. "We must guard* against the danger that old Cold War allies will become new economic adversaries, Cold War warriors turned trade warriors," he said in The Hague.

The warning was levelled not only at Europeans but also at domestic critics at home, whom he accused of succumbing to "naive isolationism". Most of these voices come from a vocal minority on the conservative wing of his own Republican Party; but they remain a political threat because *the collapse of communism has forced* the US to redefine its terms of engagement with Europe.

This week, Mr Bush took further steps in this historic task. He looked and talked like an internationalist. Whether his successors will be so forthcoming in coming to grips with the new Europe is open to question. Much will depend on reaching a Gatt agreement, since the Americans view this – as much as the future of Nato – as the test of how open the new *Europe really will be.*

Employer-union accord may assist social policy

By David Goodhart and Alison Smith

THE European Commission has backed an agreement between European employers and trade unions which could meet some of the UK government's objections to the EC's current programme of social legislation.

The agreement, struck between UNICE, the European employers body and the European Trades Union Congress, will be presented by the Dutch presidency for inclusion in the new EC treaty to be debated at the Maastricht summit next month.

The UNICE-ETUC agreement would give employers and unions a privileged position in the drafting and implementation of social legislation.

Employers and unions would be consulted jointly before draft directives are issued and will be allowed nine months after that to reach agreement on details. The European TUC is happy to call this process "bargaining" although the employers' federation dislikes the use of the term.

Agreements reached then could go either to the Council to become EC law or be implemented, and possibly further amended, by employers and unions in individual states as a substitute for EC legislation.

The inclusion in the treaty of a central role for employers, and the national implementation of agreements, could mollify those EC countries which have argued that much EC-wide social legislation, for example over working-time, is inflexible and anti-business.

Mr Tony Blair, shadow employment spokesman for the British Labour party, said: "This deal allows the CBI [the British employers' federation] and the TUC to introduce the desired flexibility to the principles agreed in Brussels." He called on the government to drop its opposition to the social charter and to majority voting on social affairs.

He added that it would "blow the cover" of the government which has attempted to disguise its fundamental disagreement with the principle of social European policy behind controversial interpretations of particular directives.

Mr Michael Howard, the employment secretary, dismissed Mr Blair's analysis, and said that the agreement had nothing to do with qualified majority voting.

Tobacco curb proposal faces rough ride

By Andrew Hill in Brussels

MS Vasso Papandreou, the EC health commissioner, will get a rough ride from Community health ministers today when Commission plans to ban all tobacco advertising will be formally debated by EC member states for the first time.

The proposals, which would outlaw all direct and indirect tobacco advertising, have already been attacked by cigarette-makers, newspaper publishers and the advertising industry. Among the 12 member states, Britain, Germany, the Netherlands and Denmark all object to the draft legislation. Since June, Greece – Ms *Papandreou's home country* – is also against a ban.

The five countries have sufficient weight in the council to throw out the measure but there will be no formal decision today because it has yet to receive its first reading in the European parliament.

Health ministers first had a chance to discuss the legislation in June when it was attacked by Germany, Britain, the Netherlands and Denmark. A modified version of the proposal has since been floated to see if a compromise is possible but dissenting states did not alter their position.

Ms Papandreou argues that public opinion is strengthening against tobacco advertising and that the single market will be distorted if different national measures are still in place after the end of 1992.

INTERNATIONAL NEWS

Apec meeting will bring together ministers from Taipei and Beijing

China to adopt flexible stance in regional alliance

By Yvonne Preston in Beijing

TWO SENIOR Chinese ministers break historic ground today when they leave for Seoul, the South Korean capital, to seal Beijing's membership of the Asia Pacific Economic Co-operation (Apec) grouping.

The critically important four-day meeting is to extend membership to the "three Chinas" – the People's Republic, Taiwan and Hong Kong. On at least two counts it achieves what would only recently have been regarded as impossible: bringing Chinese and Taiwanese officials together at the same table and bringing Beijing ministers on to the soil of the fiercest enemy of its closest ally, North Korea.

Qian Qichen, minister for foreign affairs, and Li Lanqing, minister for economic relations and trade, will represent Beijing.

China and South Korea do not have diplomatic relations, although there is growing trade between the two, defined as "people-to-people" and "non-governmental" by Chinese officials. China's traditional ally has been North Korea, a bitter ideological enemy of the Seoul government.

China has decided to be "flexible" in Apec over the joint participation of Taiwan and Hong Kong and the question of who represents China. However, the same cannot be said of the General Agreement on Tariffs and Trade (Gatt), where both China and Taiwan seek membership. Beijing contests Taiwan's aim to join Gatt as a separate tariff area.

The still-embryonic Apec grouping, which will from tomorrow include 15 members from the Asia-Pacific region, is at present seen mainly as a forum for discussion of trade issues.

China's trade minister can expect gruelling negotiations with Mrs Carla Hills, the US trade representative, who is threatening trade sanctions over what the US regards as China's unacceptable trade practices.

The meeting will also be used as an important forum to push the long-delayed Uruguay Round of world trade talks towards a conclusion.

Apec ministers present – as well as representatives from the Cairns Group of farm product exporters, Japan and the US – will be taking careful account of the progress of talks in Geneva aimed at achieving a breakthrough on world farm trade.

Hunger strike denial

CHINA yesterday denied reports that jailed dissidents planned a hunger strike to coincide with the visit this week of Mr James Baker, US secretary of state, writes Yvonne Preston.

In a terse statement released through the official Xinhua news agency, a Foreign Ministry spokesman rejected allegations in the western press that 10 prisoners in China's north-east Liaoning province proposed a hunger strike to protest at maltreatment.

The spokesman described the reports as "a fabrication, with ulterior motives". The reports in fact referred to six prominent dissidents.

A statement issued by their supporters said they decided to refuse food to protest against "cruel persecution". The hunger strike was said to be planned for November 15, the date of Mr Baker's arrival in Beijing.

The statement claimed authorities beat prisoners with fists, leather belts and electric batons, and said they were forced to work 14 hours a day.

THOUSANDS of Arab well-wishers greeted the Palestinian delegation to the Middle East peace conference with olive branches and flowers on their return to the occupied West Bank yesterday.

PLO faction in Damascus accord

By Tony Walker in Cairo

SYRIA and the Palestine Liberation Organisation took a further step towards "normalisation" at the weekend with reports from Damascus that the PLO's mainstream Fatah faction would re-open offices in the Syrian capital after an eight-year break.

Mr Farouk Kaddoumi, the PLO "foreign minister", said after talks with his Syrian counterpart, Mr Farouk al-Sharaa, that the organisation was co-ordinating with Syria steps towards peace.

Fatah offices in Damascus were closed in 1983 after Syria backed a mutiny against Mr Yassir Arafat, PLO leader, in the ranks of his own faction. Mr Arafat was expelled from the Syrian capital amid acrimony.

The PLO mainstream is also seeking an accommodation with Damascus-based Palestinian splinter groups which formed an anti-Arafat organisation known as the Palestine National Salvation Front.

Mr Kaddoumi arrived in Cairo yesterday for talks with Egyptian officials on preparations for the next stage of the Middle East peace process. Mr Arafat met Egypt's President Hosni Mubarak in the Egyptian capital on Saturday.

Egyptian officials expect a second round of bilateral talks between Israel and its neighbour, including the Palestinians, to be held within three weeks.

However, differences emerged at the weekend within the Arab coalition over multilateral talks. Syria is opposed to these regional discussions on such issues as disarmament, water and the environment until real progress has been made in negotiations on the return of Israeli-occupied Arab land, including the Syrian Golan Heights.

HK airline to choose aircraft by February

By Paul Betts, Aerospace Correspondent

CATHAY Pacific, the Hong Kong-based airline, expects to decide by next February on an order worth more than \$2bn (£1.1bn) for new twin-engine widebody aircraft. The decision would have important implications for Rolls-Royce, the UK aero-engine group.

Mr Peter Sutch, the airline's deputy chairman and managing director, also disclosed at the Dubai air show that Dragonair, the regional carrier 43 per cent owned by Cathay, was planning to acquire on operating leases up to 10 European Airbus A320 narrowbody jets.

Dragonair is expected to announce before the end of the year its decision to take on operating lease five A320s on a firm basis, with options for five more. Mr Sutch said Dragonair would also have an option to buy the leased Airbus aircraft.

Cathay was originally expected to announce its order for widebody aircraft this summer. But the slump in the airline industry and political uncertainty over the future of Hong Kong delayed the decision.

Mr Sutch said although an announcement was now likely next February, much depended on the situation between Hong Kong and China. He said Cathay was considering a stretched version of the Airbus A330 widebody jet or the new Boeing 777 widebody for the airline's expanding South-East Asian operations, replacing its older fleet of Lockheed L1011 Tristars.

It was also looking at a stretched version of the Boeing 777 to replace older Boeing 747-200 aircraft from 1998.

Cathay's decision is particularly important for Rolls-Royce, which appears strongly placed to win the order; it would give a significant boost to the UK group's heavy-thrust Trent engine, which recently lost out to the US General Electric GE90 engine in the competition for British Airways' fleet of new Boeing 777s.

De Klerk cements Israeli links

By Hugh Carnegy in Jerusalem

THE close and often clandestine ties between South Africa and Israel, who co-operated for years to ease their common status as international pariahs, were reaffirmed at the highest level yesterday when President F.W. de Klerk arrived in Jerusalem for a three-day visit.

Israel reluctantly distanced itself from Pretoria in the late 1980s under pressure from Washington, imposing economic and military sanctions. But domestic reforms instituted by Mr de Klerk have allowed a public refurbishment of relations.

"We have seen the changes in South Africa's policy pertaining to apartheid," said Mr David Levy, the Israeli foreign minister, yesterday. "This is what made this visit possible. We have common goals in several spheres."

Mr de Klerk was accompanied by Mr Pik Botha, his foreign minister, and senior members of South Africa's 100,000-strong Jewish community. He was welcomed to Jerusalem by President Chaim Herzog and will have meetings with Mr Yitzhak Shamir, the prime minister, and other key figures. It is the most senior visit by a South African since the late Prime Minister John Vorster came in 1975.

An important concern for both sides is to regenerate their trading relationship, following the lifting by Israel three months ago of economic sanctions imposed in 1987. Although South Africa remained Israel's biggest trading partner in Africa, despite sanctions, the measures had a damaging effect.

Israeli non-military exports to South Africa, which had been rising sharply throughout the 1980s, rose from \$82m in 1987 to \$164m (£95.3m) in 1989, but slumped to \$97m last year, according to official statistics. South African imports also sagged, before edging back to the 1987 level of \$221m in 1990.

This trade was always less important than the military ties developed as the two countries found themselves subject to international arms embargoes in the 1970s. Despite sanctions, Israel was always suspected of continuing extensive military co-operation with Pretoria and came under pressure from the US to desist.

Mr Botha said yesterday he had no intention of discussing military matters during his visit. "The position is well known since 1987 – no new contracts have been signed. There is no need for new contracts to sign now or in the future."

Nevertheless the two sides will have to decide on the future of a defence relationship which over the years has attracted US concern about possible technology transfer by Israel, a recipient of advanced US weaponry.

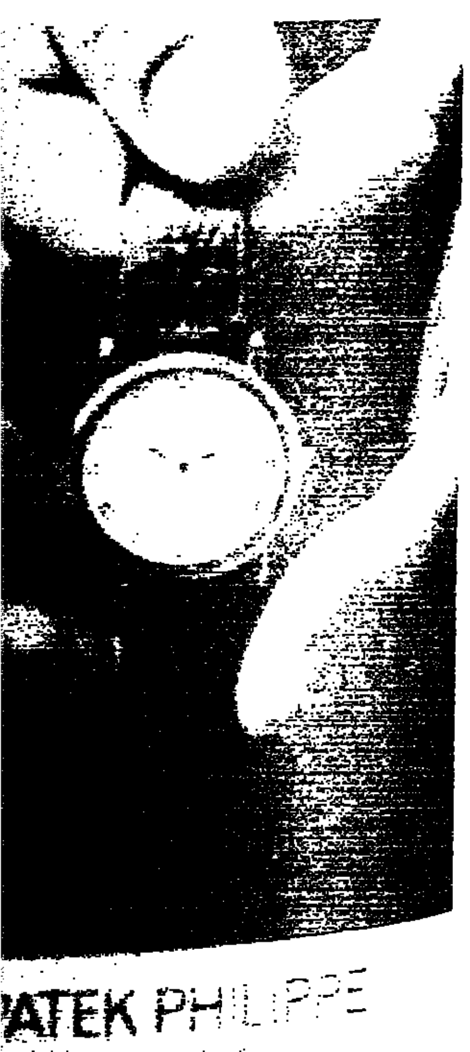
Principal among these is the issue of nuclear co-operation. Allegations, some of them clearly leaked by the US government, have repeatedly been made that Israel and South Africa have worked together on developing nuclear weapons and delivery systems.

Until recently Israel and South Africa were at one in refusing any international scrutiny of their nuclear programmes. But Pretoria this year broke ranks with Jerusalem, announcing it would sign the nuclear non-proliferation treaty (NPT) which Israel still adamantly refuses to join.

If the Middle East peace process launched in Madrid 10 days ago proceeds as planned to include regional talks on arms control, Israel will come under pressure to be more open on its nuclear capabilities. Mr de Klerk and Mr Shamir are likely at least to compare notes on how they will handle the issue of nuclear inspection.

Israel, in line with the US, has not lifted sanctions on new military contracts with South Africa.

Contracts concluded before 1987 – which included work on jet fighters, sale of Israeli missile boats and other hardware – were excluded from the ban. But Israel's hard-pressed military industries would welcome the chance to renew trade that further political reform in South Africa would allow.



PLO faction in Damascus accor

Israeli links

German job losses to surge

By Christopher Parkes in Bonn

GERMANY'S defences against a surge in unemployment are starting to collapse. Alarm signals at the weekend included a warning that almost 330,000 in the east would lose their jobs before the end of the year, while Mr Jürgen Möllemann, economics minister, said coal industry redundancies were inevitable.

The warnings follow an admission from Mr Norbert Blüm, labour minister, that average unemployment in the east would rise by 400,000 next year and by 200,000 in the west. Without labour policy subsidies supporting job creation, early retirement and retraining, the official current total of 1m jobless in the former east Germany would be 3m higher, he said. This is over 34 per cent of the workforce. Including "hidden" jobless in the east and workers supposedly on short-time, aggregate German unemployment already tops 12 per cent.

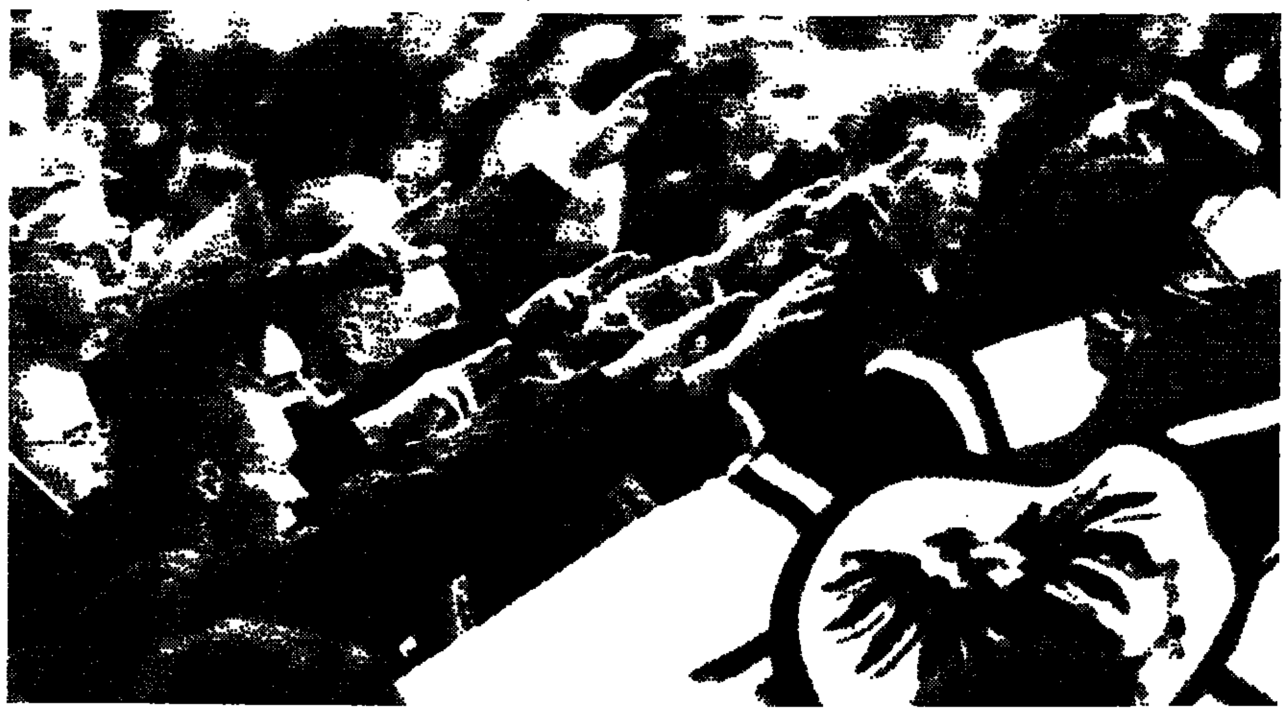
Money, mainstay against a flood of sackings in the east, is running out. Mr Blüm told the Bundestag budget committee last week that 450,000 jobs would have to be protected next year. The cost would increase from DM37.6bn to DM48.6bn (£16.7bn). Existing policy instruments and resources could not cope with more. Among those expected to fall into Mr Blüm's safety net next year are many of the 1.2m easterners now working short time. IWD, the Cologne economics institute, says 60 per cent are working less than half the standard week, with many of these doing nothing.

Ms Birgit Breuel, president of the Treuhand east German privatisation agency, warned at the weekend of more closures as she sets about disposing of big concerns in areas such as Saxony and Thüringia. "It is not sensible to keep on sustaining businesses with no prospects," she said. Some 326,000 east German jobs would be lost in the final quarter of this year.

Unemployment in Saxony is below average, at 10.7 per cent of the 2.5m local workforce, but the state, dependent on mechanical engineering, optics, and railways, also has 370,000 people on short time. Mr Jens Odewald, Treuhand board chairman, warned of a 45 per cent cut in the east's 920,000 farm workforce during 1992, similar cuts in electrical engineering, 20 per cent job losses in building, and 30 per cent in steel.

Concern is growing over short time in the west, where last month's total rose 31 per cent to 173,000, against 39,000 in October last year, federal labour office figures show. Almost 70 per cent work in metal, engineering, electrical and vehicle making, Germany's leading export industries. Mechanical engineering has 66,300 on short time. IWD said this trend could signal a fundamental change in the labour market.

Medium-term prospects depend on a speedier rise than seen in demand from traditional overseas markets, and the resolution of infrastructural issues stifling much capital investment in east Germany. East German post offices were shut much of last week as workers reacted against threats of job losses and demands for pay restraint. IG-Metall union, representing 3.6m workers, threatened stoppages after Christmas; miners in the west are set to fight planned pit closures.



Screaming "Sieg Heil! Foreigners Out!", 400 neo-Nazis parade through Halle, eastern Germany, only to abandon the old national anthem because they had forgotten the words. Their thunder was stolen by more than 100,000 demonstrators marching against racism across the country. The demonstrations marked the Nazi Kristallnacht persecution of the Jews and the fall of the Berlin Wall

'Keep it simple' is key to German story of success

David Marsh on the machinery industry's exports

THE EUROPEAN MARKET

COMPANIES looking to Germany for lessons on competing in the European marketplace should bear one straightforward slogan in mind: "Keep it simple".

A survey by management consultants McKinsey, in co-operation with the Technical University in Darmstadt, shows "simplicity" is the key to success in the German machinery industry, which makes up a large part of the country's European export sales.

It reveals a clear correlation between business performance and the degree of streamlining of product range, customer base and organisation structure. The more successful German machinery companies offer only 20 per cent of the product groups required by less successful competitors to achieve the same volume of sales.

Machinery companies with less product variety achieve profits of about 7 per cent of sales, against returns of only 4 per cent of sales for those with a wider range of products.

The report underlines the diversity of this German industry sector. In the second half of the 1980s, the sales of the strongest German companies in machine tools, components and white goods grew by almost twice the growth rate of the German economy as a whole.

Laggards in the sector grew at only half the expansion rate of the whole economy. Best performers achieved 80 per cent higher returns on equity, and 160 per cent higher returns on sales than their worse-off rivals.

Companies achieving the best results postpone until a late stage in production the time when a manufactured item is "customised" to meet buyers' needs.

Postponement of "customising" is achieved through using modular designs and interchangeable parts, so fewer components are required for assembly. The benefits of cutting complexity extend to manufacturers' relationships with suppliers. Successful companies use fewer suppliers as component sources, less than half those used by less successful companies for a given purchasing volume. Better-performing companies use only one supplier for all similar parts, building up a longer-term relationship with the supplying groups.

McKinsey has found simple logistics provide another important pointer to better results.

The best German machinery companies take an average eight weeks from receiving an order to delivering the product. For less successful competitors, the time is twice as long. Stronger companies have much shorter time horizons for production planning than weaker ones, four months rather than eight, allowing more flexibility.

Top machinery groups concentrate all production functions for one particular product at a single location, ensuring shorter and more manageable flows of materials and information. More sluggish groups prefer mixed production sites with greater complexity.

The leitmotif of cutting complicated procedures should be applied to research and development, the study says. Successful companies spend less on development, but because they concentrate expenditure, the amount spent on individual product groups is greater than that of weaker rivals.

Better companies bring products to market twice as fast by compressing each stage of the development process. They simplify management structures by decentralising decision-making.

In a successful company, the investment budget over which a "second tier" manager has control is four times greater than in a less high-flying concern.

The Secret of German Competitiveness, by Günter Rommel. McKinsey & Co. 74 St James's St., London SW1A 1PS.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

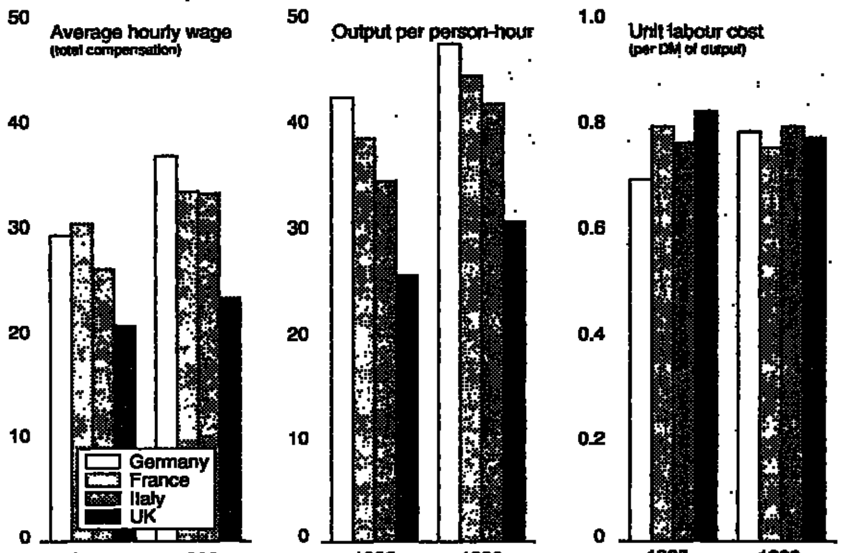
	UNITED STATES					JAPAN					GERMANY				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1984	96.6	99.1	96.0	98.4	97.1	97.9	100.8	97.0	98.4	100.1	97.9	97.6	96.0	100.0	98.7
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.0	99.9	77.1	100.8	95.3	101.4	103.3	125.7	99.9	97.5	104.0	104.0	111.3
1987	105.6	100.7	104.0	97.5	64.7	101.2	92.5	103.1	100.6	126.9	100.1	95.1	108.0	107.0	126.0
1988	109.9	103.2	107.0	98.4	59.9	102.2	92.3	107.8	98.2	137.4	101.4	96.2	113.0	107.0	126.2
1989	115.2	108.5	110.0	99.1	63.0	105.0	94.2	114.0	96.1	131.3	104.2	99.3	117.0	108.0	122.6
1990	121.5	113.8	114.0	98.2	56.6	108.2	95.7	120.1	98.2	116.1	107.0	101.0	124.0	111.0	126.8
4th qtr.1990	6.2	6.4	3.9	0.6	52.1	3.6	2.4	5.7	0.7	120.8	3.0	1.8	n.a.	3.1	124.6
1st qtr.1991	5.3	3.5	3.6	2.3	52.7	3.6	2.8	3.8	1.3	118.0	2.7	2.1	n.a.	2.4	124.2
2nd qtr.1991	4.8	3.4	2.9	2.5		3.1	2.3	4.3	3.0		3.1	2.2	n.a.	3.0	
3rd qtr.1991	3.9	1.9	3.2	2.5		3.3					4.1	2.8	n.a.		
October 1990	6.3	6.5	4.5	−1.2	n.a.	3.1	2.0	4.9	0.0	n.a.	3.3	2.0	5.9	1.9	n.a.
November	6.3	7.0	3.6	0.6	n.a.	3.9	2.5	5.5	1.0	n.a.	3.0	1.8	–	3.7	n.a.
December	6.1	5.7	3.6	2.6	n.a.	3.7	2.5	6.0	1.0	n.a.	2.8	1.5	–	3.7	n.a.
January 1991	5.7	4.0	4.5	1.8	n.a.	3.9	2.8	1.9	0.0	n.a.	2.8	2.3	6.7	1.8	n.a.
February	5.3	3.4	3.6	2.6	n.a.	3.4	2.8	5.4	1.0	n.a.	2.7	2.2	–	2.7	n.a.
March	4.9	3.2	2.7	2.6	n.a.	3.4	2.6	4.1	3.0	n.a.	2.5	1.8	–	2.8	n.a.
April	4.9	3.3	2.7	2.4	n.a.	3.0	2.4	4.0	3.0	n.a.	2.8	2.2	6.5	0.9	n.a.
May	5.0	3.5	3.5	2.5	n.a.	3.0	2.4	4.0	2.0	n.a.	3.0	2.2	–	4.4	n.a.
June	4.7	3.5	2.6	2.6	n.a.	3.3	2.2	4.6	4.0	n.a.	3.5	2.3	–	3.6	n.a.
July	4.4	2.9	3.5	2.2	n.a.	3.4	2.0	1.9	3.0	n.a.	4.4	3.3		1.8	n.a.
August	3.8	2.0	3.5	3.0	n.a.	3.5	1.9	2.7		n.a.	4.1	2.7			n.a.
September	3.4	0.7	2.6	2.5	n.a.	3.0				n.a.	3.9	2.6			n.a.

	FRANCE					ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1984	94.5	95.8	94.4	95.5	114.1	92.1	92.8	89.9	91.8	98.7	94.3	95.0	91.7	94.3	97.5
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.5	101.9	106.1	100.2	104.8	102.6	101.4	103.4	104.3	107.7	104.5	92.9
1987	105.9	97.8	107.8	103.8	102.1	111.0	103.2	111.6	105.6	102.5	107.7	108.3	116.3	105.9	90.6
1988	108.8	102.8	111.1	104.3	99.3	116.5	106.8	118.4	108.7	101.9	113.0	113.2	128.2	108.9	96.8
1989	112.6	108.4	115.4	106.5	95.8	124.2	113.1	125.6	112.2	109.2	121.8	119.0	137.2	113.5	95.0
1990	116.4	107.1	120.6		100.6	131.8	117.8	134.7		117.1	133.3	126.0	150.1	123.7	98.3
4th qtr.1990	3.6	0.7	n.a.		102.7	6.3	3.9	7.2		119.5	10.0	5.9	9.6	11.5	105.2
1st qtr.1991	3.4	0.7	n.a.		101.3	6.6	4.2	7.9		118.4	8.7	6.3	8.9	10.9	107.1
2nd qtr.1991	3.2	−0.6	n.a.			6.8	3.9				6.0	6.0	8.5	10.9	
3rd qtr.1991	3.0		n.a.			6.4					4.8	5.7			
1990 October	3.9	n.a.	4.6	n.a.	n.a.	6.2	4.2	7.2	n.a.	n.a.	10.9	5.9	9.2	10.4	n.a.
November	3.6	n.a.	–	n.a.	n.a.	6.5	4.0	7.4	n.a.	n.a.	9.7	5.9	9.6	11.9	n.a.
December	3.4	n.a.	–	n.a.	n.a.	6.3	3.6	7.1	n.a.	n.a.	9.3	5.9	9.9	12.1	n.a.
1991 January	3.5	n.a.	4.6	n.a.	n.a.	6.5	4.2	7.8	n.a.	n.a.	9.0	6.3	9.5	10.7	n.a.
February	3.5	n.a.	–	n.a.	n.a.	6.7	4.2	7.8	n.a.	n.a.	8.9	6.3	9.1	11.6	n.a.
March	3.2	n.a.	–	n.a.	n.a.	6.6	4.2	8.0	n.a.	n.a.	8.2	6.3	8.0	10.3	n.a.
April	3.2	n.a.		n.a.	n.a.	6.7	4.0	8.4	n.a.	n.a.	6.4	6.2	9.2	12.5	n.a.
May	3.2	n.a.		n.a.	n.a.	6.8	3.8		n.a.	n.a.	5.8	6.0	8.3	11.0	n.a.
June	3.3	n.a.		n.a.	n.a.	6.9	3.8		n.a.	n.a.	5.8	5.8	8.0	9.0	n.a.
July	3.4	n.a.		n.a.	n.a.	6.7	3.8		n.a.	n.a.	5.5	5.9	7.6	7.2	n.a.
August	3.0	n.a.		n.a.	n.a.	6.3			n.a.	n.a.	4.7	5.7	8.4	7.1	n.a.
September	2.6	n.a.		n.a.	n.a.	6.2			n.a.	n.a.	4.1	5.6			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

Productivity and competitiveness in manufacturing

In D-Mark* at current prices



* Using EMS bilateral central rates

Various national sources

A more level European playing field for labour costs

BRITAIN'S entry into the European exchange rate mechanism has transformed the economic background to this year's annual pay round. Employers can no longer expect a devaluation to bail them out if they concede higher wage claims than their European competitors. If UK unit labour costs grow faster in Europe, this will translate directly into squeezed profits, reduced exports and higher unemployment.

Yet at least one of Britain's leading manufacturing companies, according to its personnel director, will make no reference to European wage costs during its annual pay negotiations. Of course the European competitive threat will lurk in the background. But it is approaching this year's negotiations within a purely national framework, just as it always has.

The rationale for this deliberate parochialism is based on two facts and one assumption. The facts are that while British wages in manufacturing are much lower than in Europe, wage costs per unit of output produced are not. The assumption is that any European comparison will prompt union negotiators to push for German wage levels, with disastrous consequences for competitiveness.

The assumption that union negotiators might act in such a myopic and self-defeating manner is both depressing and, one hopes, incorrect. But the facts about relative British wages and productivity are right. The UK has one of the lowest paid and least productive manufacturing sectors in Europe.

Whether UK wages are low enough to offset this productivity deficiency at current ERM exchange rates remains controversial. If they are not, then Britain's unit labour costs are already higher than in the rest of Europe. Normally, international comparisons are made between rates of unit labour cost inflation. But these only measure changes in cost competitiveness. Whether Britain starts with a competitive disadvantage depends on relative unit labour costs at prevailing exchange rates.

It is possible to measure levels of unit labour costs expressed in a common currency. But they can be misleading, especially when they are made between Europe and the US or Japan. But confining the comparison to European countries, and to manufacturing companies, removes many of the difficulties. In addition, ERM central parities are a good guide to the exchange rates European companies will face in coming years.

There has, in fact, been a striking convergence of unit labour costs in D-Marks. Italy has the highest unit labour cost in 1990 at DM0.79 per DM1 of output while France had the lowest. But the spread of DM0.04 was small compared to DM0.13 in 1985.

Germany has had the sharpest rise in unit labour costs since 1985, measured in D-Marks, while they have fallen in both Britain and France. In part, this reflects the appreciation of the D-Mark against all currencies over that period. The domestic currency value of hourly wages rose by 46 per cent in Britain and 39 per cent in Italy but by just 26 per cent in Germany. But the value of sterling fell from DM3.82 in 1985 to an ERM central rate of DM2.95 in 1990. As a result the average wage in Britain, measured in D-Marks, fell to 64 per cent of Germany's from 71 per cent in 1985.

Germany has also had slower productivity growth than its competitors since 1985. Real output per person, in domestic currencies, rose by 24 per cent in Britain, 17 per cent in France, 13 per cent in Italy and 11 per cent in Germany. The appreciation of the D-Mark did not offset this sluggish performance.

The result has been to remove Germany's cost competitiveness advantage within the ERM. The evidence does not suggest that existing UK manufacturers face a cost disadvantage compared to the rest of Europe at current exchange rates. Indeed, the playing field is remarkably level. But European comparisons remain essential for wage-bargainers in Britain and Italy. If wage inflation in these countries continues to outpace that in Germany, then Germany's advantage will quickly re-emerge. Unless, that is, higher wage inflation can be offset by faster productivity growth. Britain's miserable productivity level certainly suggests there is room for improvement.

Edward Balls


THE VOLVO ESTATE
OPEN YOUR MIND.

'This bank would bribe God'

PART TWO The ruler of Abu Dhabi entrusted his vast personal fortune to BCCI. The bank repaid the compliment by plundering over $2bn of it, as the Financial Times reveals on its front page today. This fact is shocking but entirely in keeping with a bank whose founder was a man of breathtaking audacity and cunning

'The money arrived just in time,' said a relieved Kenneth Kaunda to Agha Hasan Abedi who visited Zambia with James Callaghan, the former UK prime minister

Nothing was ever straightforward with Agha Hasan Abedi, a man who insisted on paying bribes in crisp white envelopes.

BCCI executives who managed the biggest bank fraud in history were expected to abstain from liquor, frequenting night clubs or marrying outside the Islamic faith.

Abedi provided prayer rooms at the bank's headquarters in Leadenhall Street for his staff. And yet the same bank lavished sexual favours on its clients, on one occasion commandeering the entire red light district of Lahore to please a party of Gulf Arabs.

There is no simple key to the character of the first president of BCCI, but these aspects of the most unusual bank the world has ever known contain many clues.

The domed forehead with its burning eyes teemed with many different Abedis: the zealous Shia Moslem, the visionary, nurtured on the teachings of a much-loved poet-philosopher uncle; the philanthropist and Third World champion bred in the dying days of the Raj.

But there was also the power-seeker for whom truth and falsehood, charity and influence-peddling were all often two sides of the same coin. And there was the man of iron will. Interviewed at his Karachi home earlier this year, Abedi told the Financial Times that "nothing is vast" – as if anything was possible given enough determination, which he had in abundance.

Overlying this powerful mixture was a legendary ability to charm and mesmerise. Abedi once held up a piece of paper at a conference for BCCI recruits in a Lahore hotel. He told his audience to watch the blob on it get bigger and smaller, which they did, transfixed. The paper was completely blank.

On another occasion, he stood before a hall full of young BCCI officers – Abedi called them "my children" – about to graduate from the Karachi training school, one of three run by the bank. For more than an hour he philosophised.

At the end of the lecture he asked the sea of faces what they thought. Only one voice spoke out. "Frankly, sir, I think all this philosophy is geared for one man's ego, and that's yours." A hush fell across the hall. Abedi walked over to the young officer, held up his hand and declared: "These are the people I want, people who speak their minds." The student was unimpressed – he left BCCI soon afterwards for another bank.

Abedi's mixture of mysticism and homespun ideas did not always impress his own people. One colleague who became increasingly sceptical about Abedi's references to "cosmic energy" was summoned to London. "He [Abedi] asked me: 'How many people believe my philosophy?' I said 'three'. He said 'three per cent?' I said, 'No, three.'"

When it came down to it, Abedi could also be an outright charlatan. At one of his staff conferences, he delivered a ringing speech about the need for "involution", a word he invented because it sounded nice.

The lavishness of these conferences was legendary. The bank would take over an entire five-star hotel. There would be two days for shopping and two for conference sessions. There were usually five items on the agenda: humility, submission to God, giving, compassion and love. They were held in places such as Vienna, Luxembourg and Athens, and cost the bank between £4m and £5m apiece.

Despite being branded by many as an evil genius, Abedi remains revered by many people for his good deeds, particularly in the field of education which he believed to be a fundamental force for reshaping the world outlook.

His native Pakistan, in particular, sees Abedi as a Robin Hood figure who provided jobs, scholarships and medical treatment to the poor and enabled impecunious Moslems to make pilgrimages to Mecca. "Certain people in this country are heroes, and Abedi is one of them," says Humayun Gauhar, the former editor of South magazine, which BCCI owned. "No mud will stick to his name."

South magazine, founded to examine Third World issues, frequently flattered leaders of countries to which Abedi sought admittance for BCCI.

Many of Abedi's good works, it is claimed, were done through the BCCI Foundation. But the reality, as with so much to do with Abedi, was rather different. The BCCI Foundation accumulated rather than distributed wealth. Little of its money went to helping people. Only in two of its nine years of operation has the foundation given away

Phoenicia Hotel, Beirut: BCCI's birthplace, but blasted in war

more than it made. Even those donations were not all for good works. Its largest single gift – £6.25m – was to a pet project of President Ghulam Ishaq Khan of Pakistan which is now believed to have been linked with that country's covert development of nuclear weapons.

Akhtar Hameed Khan, the founder of a self-help project in a Karachi slum which received Foundation money, is now one of Abedi's few critics in Pakistan. He says: "He was a collector of people. He tried for years to get me in his zoo."

These many Abedis never merged into a consistent whole. He was many-sided and unpredictable. One day he was the spellbinding leader; the next, his powers deserted him and he rambled incoherently. He founded an institution of which one employee said: "This bank would bribe God". He set out to create a new world, but BCCI broke every rule set by God and man to do it.

All these Abedis might have lived out their days quietly behind the teller's window of the Bombay bank where his career began, were it not for the colossal engine of ambition to which he was harnessed.

Abedi was born in 1922 in Lucknow, chief city of central northern India. His father was a tax collector on the estate of one of the richest princelings, the Raja of Mahmudabad, and Abedi grew up in an atmosphere of lavish elegance which exerted a lasting influence on him.

Some of Abedi's supporters, such as Humayun Gauhar, believe that his early years in Mahmudabad hold the key to the workings of BCCI. They compare the bank with the kingdom's feudal structure and the rajas' tendency to surround themselves with sycophants. Everyone, even his closest associates, referred to him as "Mr Abedi" or "Agha Sahib". He had many courtiers but no intimates.

Abedi secured unquestioning loyalty from his staff through a mixture of sheer will power, charisma and more devious means, including nepotism. While there is nothing unusual in this for banks in Asia and the Middle East, Abedi's largesse was larger-than-life.

The partition of India in 1947 led Abedi's family to join the flow of Moslem refugees to Karachi. Naseem Saigol, one of Pakistan's richest businessmen, tells how Abedi went to the Saigol family patriarch in 1968. "Abedi convinced my father that he should have a bank. Dad gave him a cheque for Rs10m [then £1.1m] and appointed my elder brother, Shafiq, as director with Abedi under him."

It was called United Bank, with the slogan "Progressive Banking", and it became the launch-pad for Abedi's later exploits.

However, it was the decision of the then President Bhutto to nationalise Pakistan's banks in 1972 that forced the young banker to expand his horizons. Prominent bankers, including Abedi, were placed under house detention.

In his sudden solitude, Abedi began to flesh out his long-nurtured plan for a bank that would act as a bridge between the Third and First worlds. It would also, he told visitors, be "the biggest bank in the world".

His first foray for financial backing was as obvious as it was inspired: the newly oil-rich Gulf sheikhs. They had the money Abedi needed and they were Moslems.

The Sheikhs came over to the Baluchistan desert each year with their falcons and salukis to hunt and eat the *houbara* (bustard), the largest game bird in Pakistan. They believe it increases sexual potency.

The hunters and their entourages of about 100 would drive deep in the desert, splitting into separate parties with a jeep each. At dusk they would return to the camp fire and their white tents. Here, they were at their most relaxed and Abedi at his most persuasive.

Abedi had also met a Dutchman, Dick van Oenen, who was the Bank of America's representative in Pakistan with an office in the United Bank building. Through him, Abedi learnt that BofA was keen to enlarge its activities in the Middle East. The US bank agreed to put up the relatively small sum of $625,000 as its contribution to BCCI's $2.5m start-up capital. Bank of America also had a subsidiary in the then little-known and loosely-regulated banking centre of Luxembourg, which gave Abedi the idea of locating his bank there.

Thus in September 1972, in the five-star Phoenicia Hotel in pre-civil war Beirut, BCCI was born. About 100 people met in the ornate ballroom around a rectangular table. They included Swaleh Naqvi, the now-disgraced former chief executive of BCCI, and Zafar Iqbal, who was later to succeed Naqvi. Abedi mingled among them.

Within a year, BCCI had six offices, in London, Luxembourg, Beirut and the Gulf emirates of Dubai, Sharjah and Abu Dhabi. By 1975, it had ballooned into a group with assets of $2.2bn and $113m of capital. It soon had 146 branches in 32 countries – including 45 branches in the UK, where it had become the largest foreign bank.

BCCI then split into two companies, one based in Luxembourg, the other in the Cayman Islands, then emerging as an offshore banking haven. Already, the bank was adopting the tactics of deception, fragmenting itself into obscure centres, and ensuring close links with customers who could put large deposits at its disposal.

Abdul Basir, head of the Pakistan operation, says: "We looked after clients in the most efficient, personalised manner."

Although Basir refuses to go into details, part of the answer is to be found inside the old city of Lahore. Under the shadow of the great walls, built more than four centuries ago by the Mogul emperor Akbar, lie the remnants of another once-great empire.

The Diamond Market is home to Lahore's famous dancing girls, who for centuries have provided entertainment for emperors and their courtiers – and latterly for politicians, Arab sheikhs and bankers.

Shuttered during the day, the market is almost indistinguishable from Lahore's many narrow streets – but for the occasional glimpse of a pair of sleepy almond eyes peering from a latticed upstairs window. At night it comes alive, the girls, often as young as 12, calling down to customers.

Dressed in gold-embroidered chiffon harem pants and silks, the girls sway to sitar music. The audience are expected to put money inside the girls' clothes (in olden days it was jewels).

BCCI's minions came here to procure the finest girls for the bank's best customers. The girls would be personally inspected by Zafar Iqbal, the local branch manager who married one of their number called Cham Cham.

Muzaffar Zaidi, former director of special operations in London who controlled the European affairs of some of BCCI's richest Gulf clients, says he often received calls in the early hours asking him to send large amounts of cash. "I knew what it was for," he says. Zaidi retired from his post because, he says, "it wasn't the kind of thing I wanted to do."

BCCI's "can do" culture could be impressive. One Pakistani businessman was shopping in London one Saturday when he saw a £25,000 car. "I wanted it immediately, so I called BCCI and a man turned up carrying the money in a plastic bag. That's what I call service."

"The bank," said one of its millionaire clients, "made me feel like a *billionaire* when I went to London."

Abedi was never afraid of thinking big. As an outsider he knew he could only act on the world stage if he had the help of world players. He had the skill and self-confidence to seek them out and draw them to him. He did this by identifying their strongest personal desires and then setting out to satisfy them. Abedi stalked his quarry and then spun a web round them through diligent courtship.

He supported Jimmy Carter's campaign to eliminate the guinea worm scourge. The former US president went on a tour of Africa in BCCI's corporate Boeing 727, refitted in 1985 with just 16 seats and a double bedroom. The tour may have or may not have checked the advance of the guinea worm, but the sight of Carter disembarking from the BCCI jet did wonders for the bank's local business.

In 1987, Abedi was back in Africa, this time accompanied by James Callaghan, the former British prime minister, in support of a trust to send African students to Cambridge.

Zambia was in severe financial difficulties because the price of copper, its chief export, had plummeted. BCCI made a small loan to tide the country over. When the party landed in Lusaka, it was greeted by a relieved Kenneth Kaunda, then Zambia's president. "The money arrived just in time," he told the group.

According to two of Abedi's former executives, payments were made to Zimbabwean politicians in London during the 1979 Lancaster House negotiations on Zimbabwe's independence.

Both sides, said the executives, were "greased because one would eventually gain power and would decide on a bank license." Soon after independence BCCI became the first foreign bank to be awarded a licence in Zimbabwe and the government even bought a minority shareholding in the bank.

Influence-peddling and deception also lay behind one of Abedi's largest strategic moves – into the US market, the ultimate source of political power.

The way he went about it was classic Abedi. He sought the help of key figures in Washington, men like Clark Clifford, former defence secretary and kingmaker of the Democratic party, who acted as his lawyer, and Bert Lance, Jimmy Carter's budget director.

Having obtained professional advice that BCCI might have difficulty obtaining permission to buy a bank, he then decided on a strategy of subterfuge, involving the use of nominees to act as fronts – a venture in which his flair for secret deals and manipulation found full expression.

BCCI eventually acquired four banks, the largest of which, Financial General, was also the biggest bank in Washington DC, holding many of the personal accounts of the capital's most powerful figures – a fact which must have appealed to Abedi. Shortly afterwards he changed its name – rather misleadingly in the circumstances – to First American.

The nominees, according to the Federal Reserve's indictment, included several of BCCI's own shareholders such as Ghaith Pharaon, the flamboyant Saudi businessman and Kemal Adham, the burly, white-maned ex-head of Saudi military intelligence who had recently fallen out with the Saudi royal family.

Both Pharaon and Adham are crucially important figures in the high-stakes poker game which Abedi played. The former provided business connections; the latter an inside track in Washington, where he has been a Middle East power broker of repute for years.

Another reason why Abedi wanted to buy into the US was that BCCI's relationship with Bank of America was not working out. The US bank had been pushed into a back seat role by Abedi's aggressive management. In 1976, Al Rice, BofA's executive vice-president, wrote in an internal memo: "We are just not operating on the basis of mutual trust and co-operation that make the whole effort and exercise worthwhile."

Tom Clausen, the bank's president and later head of the World Bank, who had never been happy about the deal with BCCI, agreed. BofA eventually sold out in 1980, though it remained BCCI's US clearing bank.

The BofA sale is significant for two reasons. First, the purchaser of BofA's stake – on deferred terms – was none other than ICIC, a shadowy Cayman-based offshoot of BCCI. Second, it suggests that an aura of suspicion was already settling over BCCI by the late 1970s.

With hindsight, it seems extraordinary that Abedi should have succeeded in his subterfuge in a land criss-crossed by regulation. It took the Fed 14 years to uncover the true story, even though it had suspected a connection between some of the acquirers and BCCI from the outset.

The Central Intelligence Agency, which had long been using BCCI to fund some of its agents and covert operations, was one of the first to discover the truth. In 1985, it prepared a report on BCCI that confirmed the bank's secret and illegal control of First American. Mr Richard Kerr, acting CIA director, recently admitted in Senate testimony that the CIA's failure to inform the Fed of this important finding was "an honest mistake".

But in the end, Abedi underestimated the US regulatory and law enforcement agencies. They have since turned on him and his bank mercilessly.

In July, after a two-year inquiry by Manhattan district attorney Robert Morgenthau, a New York grand jury brought criminal indictments against the bank, Abedi and Naqvi for fraud, falsifying bank records, money laundering and larceny – the first criminal proceedings against BCCI since the shutdown.

Today, inside his 4,000 square yard compound in the affluent Karachi suburb of Clifton, Abedi cuts a pathetic figure. He sits in a stiff-backed chair in a two-storey house across the manicured lawn from his office, looking out across his beloved gardens, fingers twitching but body rigid.

Rabia, his 47-year-old second wife, and their daughter are constantly at his side, trying to fill his now empty hours. The third building of the compound is a bungalow for Abedi's 90-year-old mother.

The final, desperate struggle to stave off BCCI's collapse has taken a terrible toll. He has suffered two heart attacks and a stroke, which have left him with brain trauma and damaged vocal cords.

These days Rabia finishes his sentences for him. "Every day," she says, "I'm killed a little bit by watching it."

Abedi will never be extradited from Pakistan. He holds too many political IOUs. But even if he were to co-operate with the world-wide investigations into the bank's collapse, his health is so bad that he is unlikely to provide a coherent account of BCCI's history.

Mention of banking still brings a flash to the deep-set eyes behind heavy glasses – but as the conversation continues, he soon begins to ramble. Trapped inside that domed forehead are many of the secrets behind the greatest banking collapse the post-war era. He will probably take these to his grave.

Abedi's home-spun philosophy

AGHA HASAN ABEDI
PRESIDENT

BANK OF CREDIT AND COMMERCE INTERNATIONAL S.A.

8th June, 1985

Dear Nadeem,

Since I received your letter and the enclosed article, I could not get time to answer it. Time in its full sense does not become one's own time unless it is filled with attention leading to purpose.

You are right in observing that we have, during all these years, been trying to create and manage a 'context' which is nothing but providing a new volume and direction to meaning. We, no doubt, all grow, shape and manage the contents of life and purpose only in the mould of our context and so do societies and organisations. BCC has, as you know, already created a powerful and all pervading context.

I have since used some expressions from the article of Professor Stanley M. Davis in explaining what we have been trying to say in so many words, ways and forms for so long. I admire your comprehension of this article and our context which we are jointly managing. In recognition I give you all my love. I must though say that the context is just a reflection of quality and meaning and I hope you would never forget that quality and meaning remain short of reality till they become an attribute of your energy, vibrating and flowing – flowing in torrents – overpowering mediocrity and defying defeat.

Release and flow of energy is absolutely necessary to manage the contents of the context and is the only route to success. Life has to be action packed and packed in the material of love and quality. In BCC it is a crime to be either mediocre or fail to succeed. It is even a worse crime if any one of us allows physical, intellectual or psychological lethargy to permeate into our energy system.

I feel no doubt about your innocence, purity, goodness and quality that God has blessed you with. You may need to produce much more action and an ability to create it all around you in order to become a top manager.

May God be always with you.

Yours sincerely,

Agha Hasan Abedi

Abedi was well-known for his long-winded philosophising. This letter to the son of Swaleh Naqvi, the bank's chief executive, who was working in the New York office, captures some of the flavour.

BEHIND CLOSED DOORS

■ Written by David Lascelles, with contributions from: Richard Donkin, Alan Friedman, Christina Lamb, Richard Waters, Richard Tomkins, Bernard Simon, Chris Tighe, Jimmy Burns, James Buxton and Stephen Fidler

■ Tomorrow: 'The $1bn hole in the heart'

Questions remain over death of Maxwell

By Peter Bruce in Madrid

AT LEAST one of the many theories surrounding Mr Robert Maxwell's death should be cleared up later this week. A toxicology laboratory in Madrid has been examining body tissue taken from the late publisher at an autopsy on Wednesday for signs of poison.

The report will go to the state pathologists on Gran Canaria who performed the autopsy. They will pass it on to judge Luis Gutierez Sanjuan, a local judge who handled the investigation surrounding the body. Mr Gutierez will pass the report to the judge handling the central investigation into Mr Maxwell's death - judge Isabel Oliva. She is on Tenerife and this weekend ordered the crew of the Maxwell yacht, the Lady Ghislaine, to remain on the island until her investigation is complete.

Mystery continues to surround the death mainly, it seems, because of conflicting signals being sent out by the family and by conflicting advice by the Spanish authorities. Miss Ghislaine Maxwell, the publisher's daughter, said last week the family was very pleased with the Spanish investigation and strongly implied that the death appeared to have been an accident.

Her mother, Elisabeth, has since fanned the flames of speculation by saying that the death cannot be explained. It was Mrs Maxwell, however, who told the British consul on Tenerife that Robert Maxwell had suffered for a long time from water on the lungs which could place severe pressure on the heart.

Officials in the Canaries remain convinced Mr Maxwell died naturally and, possibly, of a form of heart or lung failure before he even hit the water. Attempts by the family and its lawyer on Tenerife to keep a final judgment open may have something to do with the fact that Mr Maxwell was insured for £20m against accidental death. His family are the beneficiaries.

The affair will have an end, however, in a courtroom on the Canaries - probably on Tenerife.

Thatcher poised for EC speech

By Alison Smith

SENIOR government ministers yesterday moved to play down the row over comments by Mr Nicholas Ridley, a former Tory cabinet minister, who advised voters opposed to closer EC union to back the opposition Labour party or other candidates who share their views.

Mr Ridley's comments at the weekend, however, have heightened even further interest in the possible intervention by Mrs Margaret Thatcher, the former prime minister, in the Commons debate on Europe next week, as opposition parties kept up the pressure on Tory party differences on the EC. In a concerted campaign over the weekend, cabinet ministers said Mr Ridley was "tilting at windmills" and that his remarks were "utterly misconceived".

And commenting on Mrs Thatcher's likely course, Mr Michael Heseltine, the environment secretary, insisted she wanted above all else the re-election of a Tory government.

In a television interview Mr Heseltine said that Mrs Thatcher "will not want to set herself apart from John Major. She shares his views on a broad range of philosophy and policy."

He also foreshadowed a line likely to be taken by Mr John Major, the prime minister, when he opens the debate, in commenting on how Mrs Thatcher had taken the UK further into Europe than any of her predecessors.

Mr Paddy Ashdown, the Liberal Democrat leader, said, however, that Mrs Thatcher was like a "wounded tigress" ready to rip the Tory party apart on the issue of Europe.

CHANNEL TUNNEL

Delay in order for BR regional network

By Richard Tomkins, Transport Correspondent

BRITAIN'S regions will shortly learn details of British Rail's much-delayed plans to link them with the Continent after the opening of the Channel tunnel.

In the next few weeks BR will place orders for the daytime expresses and overnight trains which will run direct from the regions to Paris and Brussels.

However, the long delay in ordering the trains means that it will be 1994 before the night trains start running, and 1995 before the day trains appear.

Last week BR acknowledged for the first time that delivery of the London-Paris and London-Brussels expresses, already on order, was also running months behind schedule.

Ordinary British and Continental trains cannot run through the tunnel because they have to be compatible with different countries' signalling and train control systems.

The result is that BR and its Continental railway partners will have no passenger trains ready to run through the tunnel if it opens on time in June 1993.

Ordering of the regional passenger trains has been made possible by last week's Autumn Statement which gave BR sufficient funds to go ahead and place contracts.

Seven daytime trains based on the 186-mph French train *a grande vitesse* (TGV) will be ordered from GEC-Alsthom at about £15m each. The trains will be almost identical to the London-Paris and London-Brussels expresses, but shorter to fit north-of-London railway platforms.

Originally BR had hoped to order trains which would split in half to serve a wider range of destinations, but technical problems have forced this plan to be abandoned.

Instead, one train will leave Edinburgh for Paris each morning, stopping at principal stations on the east coast main line as far as Peterborough and taking 8 hrs 15 mins. Another train will leave for Brussels, taking 8 hrs.

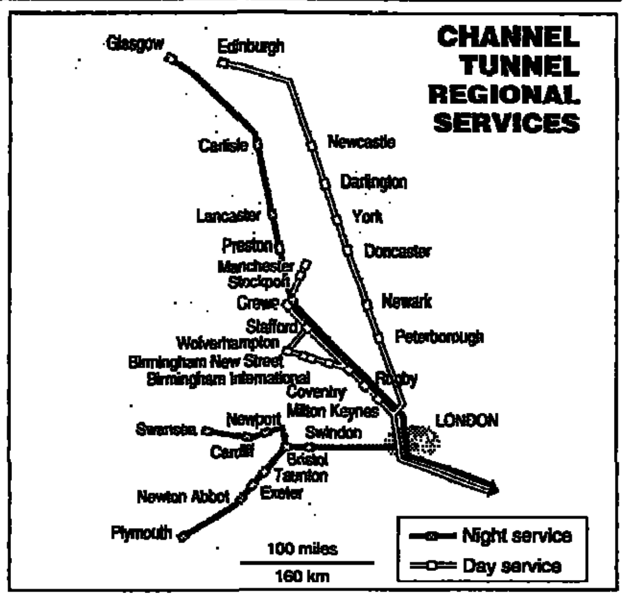
Plans for this train to be joined by another coming from Leeds and Wakefield have been dropped.

On the west coast main line, one train will leave Manchester for Paris each morning, calling at principal stations and taking 6 hrs 15 mins. Another train will leave for Brussels, taking 6 hrs.

However, both these are likely to be diverted from the direct route to serve the West Midlands, because plans for separate West Midlands trains joining the Manchester ones at Rugby have been dropped.

All trains will be mirrored by return journeys from Paris and Brussels in the late afternoon.

The night services will cover different routes. Three trains will leave each evening: one from Glasgow via the west coast main line, one from Swansea and one from Plymouth.



Mortgage defaults, company failures at record level

LOWER interest rates and inflation will "take time" to reduce mortgage defaults and company failures, which have reached record levels in the 1990-91 recession, the Bank of England warns today writes Rachel Johnson, Economics Staff.

The Bank today released an analysis of the "unprecedented" rise in the incidence of defaults on loans by both households and companies ahead of Thursday's quarterly bulletin. In the first half of 1991, company insolvencies reached almost 11,000 – compared with 6,549 over the same period last year.

Over the same period, 36,600 dwellings were repossessed – 0.4 per cent of the outstanding mortgage stock – more than double the number of repossessions recorded in the first six months of last year.

The Bank acknowledges that the combination of high interest rates and the recession has been the main cause of this sharp rise in defaults. But high levels of gearing have also been very significant.

It points out that in the 1980-81 recession there was a "more moderate" increase in company failures and mortgage arrears, despite higher interest rates and a fiercer recession that then prevailed. Gearing is thus another important determinant of the rapid rise in default rates over this recession, it says.

On the personal side, the rise in mortgage defaults had been caused by the longer-term trend towards owner-occupation and financial liberalisation as well as high mortgage rates.

BRITAIN IN BRIEF

Japan backed by UK fund managers

UK fund managers are still backing Japan, as well as their home equity market and the prospects of the British Conservative party at the next general election. But their enthusiasm for equities has receded a little, and a significant number of them are more willing to invest in UK bonds than they were a month ago.

The upward re-rating of the Tokyo market has stumbled over the past two weeks. Yet, in a survey of 100 UK leading fund management groups conducted one week ago for Smith New Court, 46 per cent were still planning to increase their holdings of Japanese shares compared with 63 per cent a month earlier.

CAA eliminates UK consortia

Two British consortia, led by GEC and Dowty Command and Control Systems, have been eliminated by the Civil Aviation Authority from the bidding for a contract for advanced air traffic control equipment worth an estimated £700m. Four consortia were asked to bid in the first stage for the New en-route centre. The CAA has chosen consortia led by IBM of the US and Thomson CSF, the French state-owned company, to compete in the second phase.

Low pay awards

Finance staff in British companies received their lowest annual pay increases during 1991 for eight years, and the number who changed jobs dropped sharply, in further evidence of the impact of the recession published in a survey today.

Three former prime ministers (left to right) Margaret Thatcher, Lord Wilson and Edward Heath at the Cenotaph in London yesterday during the Remembrance Day ceremony commemorating Britain's war dead

Review of hospitals urged

The government is being urged to use its review of London's hospital provision as an opportunity to modernise medical education and make Britain into the European centre of excellence for modern medicine. Under the proposal, all future medical education and research in the capital would be concentrated on four colleges of London University.

Satellite users increase

More than 100,000 new satellite dishes were installed last month – the largest monthly rise since the merger of British Satellite Broadcasting and Sky Television a year ago into BSkyB. The figure, produced by the FT Satellite Monitor, means that there are now 1.9m homes in the UK with satellite dishes apart from those who receive the new satellite channels. Pearson, publisher of the Financial Times, has a significant stake in BSkyB.

Campaign to lift Scots pay

A campaign to raise the pay of 400,000 workers in Scotland to a minimum £3.40 an hour is to be launched by GMB, Britain's second biggest union.

Regional income tax call

The regional assemblies which the Labour Party is pledged to introduce should be financed by a regional income tax, according to a discussion paper from the Fabian Society, which is affiliated to the party.

The paper says that the creation of a regional tier of government should be a priority for a Labour government. It adds that with the EC increasingly directing social and economic assistance through regional structures the UK is ill-equipped to stimulate appropriate investment through "sub-national governments".

Indemnity premiums rise

Indemnity premiums for accountants are expected to rise as the profession faces a growing amount of litigation, according to the annual report of one of the UK's leading mutual professional indemnity companies.

The number of claims paid or outstanding was up 82 per cent to £624,000 in the year to June 30, 1991 for the Mutual Accountants Professional Indemnity Company (MAPIC), which provides professional indemnity insurance to about 800 small and medium-sized accountancy firms.

CONSTRUCTION CONTRACTS

Major council housing upgrade

Hundreds of council homes throughout the country are being brought up to modern standards for local authorities by **TARMAC CONSTRUCTION'S** contract housing division.

The division has won orders worth £6.5m from seven housing authorities. A £1.2m contract has been awarded by Gloucester City Council for the improvement of houses, and residential blocks are to be refurbished at Craigshill, West Lothian for Livingston Development Corporation at a cost of £1.3m.

Another contract worth £1.4m is for refurbishing houses at Dewsbury for Kirklees Metropolitan Council, and at Hull, maisonettes and flats are to be converted to sheltered housing for the City Council at a cost of £1m.

Other housing contracts include reroofing and structural work to blocks of flats for Leicester City Council (£680,000); window replacements and general repairs to dwellings for Wigan Borough Council (£520,000); and the modernisation of council houses at Donington, Lincolnshire for South Holland District Council (£400,000).

Other contracts include roadworks and a roundabout, costing £1.8m, at Bruce Street, Swindon for Tarmac Properties; a £980,000 extension to Bradfords Bakery at West Bromwich in the West Midlands; the refurbishment of the galley at Seaton Naval Barracks, Plymouth (£630,000); and extensions to pumping stations at Croscome for Wessex Water Services (£260,000).

Refurbishing estates in Birmingham

WIMPEY CONSTRUCTION MIDLANDS has been awarded two contracts, totalling £6m, by Birmingham City Council to refurbish large estates in the city.

The first, at Nazareth Estate in Longbridge, forms part of an environmental control experiment being carried out by Professor Alice Coleman - aiming to demonstrate how residents' quality of life can be dramatically improved by changing design features.

Work involves refurbishing 124 council homes and building 26 new houses and bungalows in a year-long contract due for completion next October. The project also includes demolishing two blocks and constructing 12 houses for private sale in conjunction with Wimpey Homes.

Wimpey's second contract involves refurbishing four blocks of maisonettes in Erdington. Repairs and alterations will be undertaken externally and internally to the eight-storey properties on the Wyrley Birch Estate.

Externally, the work involves repointing and replacing defective brickwork, removing balconies, recovering flat roofs and installing new windows. Inside the properties will be completely rewired and redecorated. The project is due for completion in April.

Pharmaceutical manufacturing facility

LAING SCOTLAND has won the £4.5m construction contract - phases three and four - for the protein fractionation centre of the Scottish National Blood Transfusion Service in Edinburgh. The contract involves an extension and refurbishment.

Completion of phase three is scheduled for September 1992 and the finishing date for phase four is June 1994.

The centre, on the southern outskirts of Edinburgh, is the pharmaceutical manufacturing facility of the Scottish National Blood Transfusion Service.

Human plasma, derived from voluntary blood donations at regional blood transfusion centres, is transformed at PFC into a range of life-saving products sufficient for the needs of Scotland and Northern Ireland.

Construction includes warehousing, packaging, labelling workshops and office accommodation. The building will be of steel frame construction with coated aluminium wall cladding and insulated roof decking.

Alterations to the existing building will be phased to suit the employer's needs and to maintain the continued operation of the centre during the alterations.

£3m workload for Portal Construction

Design and build contracts worth over £3m have been obtained by **PORTAL CONSTRUCTION** of Higham Ferrers, Northamptonshire.

At Westbury Lane, Newport Pagnell, Portal is to build a residential home, contract value £710,000, for Coventry Churches Housing Association. By mid-1992 the building will house 30 frail elderly people in single bedrooms with en suite WCs and showers.

The Scott Bader Company has awarded a £1.02m contract to create a central warehouse and distribution centre at its Wollaston, Northamptonshire headquarters. The steel framed, brick clad building, nine metres to the eaves, will provide 30,000 sq ft of warehousing space and 6,500 sq ft of offices.

German frozen food distributor Eismann Home Services has appointed Portal to refurbish and remodel the former Stewart & Lloyds/British Steel Corporation training centre at Corby. The £600,000 contract calls for the recladding, reglazing and refurbishment of a three-storey building to form offices. An adjacent single-storey structure is to be remodelled to provide living accommodation for Eismann's franchisees under training together with leisure facilities which include a swimming pool.

Developer Rowlinson has awarded a £400,000 contract to build a 6,000 sq ft shop for Mac's Stores at Duston Neighbourhood Centre, Alsace Park, to plans and elevations by Art D & C of St Albans.

At the Sanders Lodge Industrial Estate, Rushden, Northamptonshire Portal is to alter and refurbish two buildings to provide workshops, offices and a warehouse for the Lockerbie-based transport company Blue Band. The building, which is to be converted into a warehouse, is to have a new floor inserted four feet above ground level to ease tail end loading of trucks.

Leeds plan

J E GREATOREX & PARTNERS, a Capita Group subsidiary, has been awarded a contract to design and supervise the installation of all the engineering services involved in the £50m Phase I redevelopment of Leeds General Infirmary.

Greatorex has been commissioned to handle all mechanical, electrical, lift and public health services for a new building linking the main infirmary with one of its wings.

The building will house the West Yorkshire cardiothoracic service, the accident and emergency department, intensive care beds, neurosurgery, theatre and x-ray facilities.

It will free the existing building for refurbishment as part of Phase II, worth a further £50m.

Mechanical services

MATTHEW HALL MECHANICAL & ELECTRICAL ENGINEERS has recently been awarded a £4.5m contract to install mechanical, electrical and wire engineering services for Ericssons Telecommunications at Burgess Hill in Sussex.

The 175,000 sq ft development, which is a part new, part refurbishment project, comprises offices, computer suites, leisure facilities, a restaurant, conference rooms and some laboratories.

The seven month contract is due for completion in early 1992. Matthew Hall is part of the international construction, engineering and development group AMEC.

Foundation work

A £8m contract for piling and foundations at Drax power station near Selby, north Yorkshire, has been awarded to **MOWLEM CIVIL ENGINEERING**, a division of John Mowlem Construction, by National Power. The work comprises the final phase of foundation construction and the manufacture and driving of the last 1,000 pre-stressed concrete piles for the flue gas desulphurisation project.

THE WEEK AHEAD

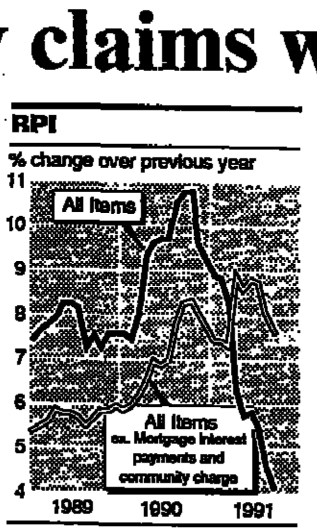
ECONOMICS

Treasury claims will be put to test

IT IS a week thick with UK economic indicators, starting with credit business today and ending with the retail prices index on Friday.

These and all statistical releases in between – which include industrial production and factory gate price data – will be measured against the latest forecasts for the UK economy presented by the Treasury in the Autumn Statement last week. Data will be judged as lending support to – or undermining – the chancellor's claim that a recovery is currently underway with consumer spending rising to 2.5 per cent in 1992 following a ¾ per cent drop this year.

With spending the expected impetus for recovery, all retail sales figures will be scrutinised for evidence that volumes are building up higher than last year's levels. On the inflation front, the markets are expecting the continued rise in unemployment – with another 45,000 expected for last month – to continue to dampen pressures. The retail prices index is expected to be rising at an annual rate of 3.5 per cent in October compared with September's 4.1 per cent.



On the international scene, the Bank of Japan is expected to move the discount rate down half a point to 5 per cent, following the lead set by the US Federal Reserve last week.

Other notable events and statistics, with median market forecasts from MMS international, the financial research company, include:

Today: France, Belgium, all markets closed. Germany, federal government decides on interest taxation proposal. Switzerland, routine meeting of Bank of International Settlements. Luxembourg, intergovernmental council on monetary union. UK, September credit business (£50m), September final retail sales (flat).

Tomorrow: Switzerland, GATT council meets. France, OECD policy committee meeting begins.UK, producer prices indices (input m/m 0.1 per cent, y/y down 2.2 per cent).

Wednesday: Japan, October trade balance ($7.1bn). US, October producer prices index excluding food and energy (0.1 per cent). September housing completions, November 1-10 auto sales (6.1m). UK, September industrial production (1 per cent) manufacturing output (0.5 per cent). Spain, consumer prices index (m/m 0.3 per cent, y/y 5.3 per cent). Japan, October trade balance ($7.1bn).

Thursday: Japan, Bank of Japan press conference. Germany, Treuhandanstalt holds press conference. UK, Bank of England quarterly bulletin. US, October consumer prices index excluding food and energy (m/m 0.2 per cent), retail sales excluding autos, October money supply M1, M2, M3, October real earnings, initial claims for week to November 2 (420,000). UK, October unemployment (45,000), September unit wage costs (3-month average 6.5 per cent), October vacancies, September average earnings (7.5 per cent), October provisional vehicle production. Japan, October consumer prices index. New Zealand, 3rd quarter current account.

Friday:US, October industrial production, capacity utilisation, September business inventories, UK, October retail prices index (m/m 0.2 per cent, y/y 3.5 per cent, ex mortgage interest payments 5.4 per cent. France, October consumer prices index (m/m 0.3 per cent, y/y 2.3 per cent). Sweden, October trade balance. Japan, September revised industrial production. Canada, consumer prices index (m/m 0.4 per cent, y/y 4.9 per cent).

During the week: Germany, wholesale prices index, production east. September capital account, October producer prices index. Switzerland, October unemployment, trade balance.

Rachel Johnson

PARLIAMENTARY DIARY

■ **TODAY**
Commons: Local Government Finance Bill (second reading).
***Lords:** Debate on EC* Committee Report on Energy and the Environment.
Debate on the E.C. committee report on Young People in the Community.

■ **TOMORROW**
Commons: Conclusion of second reading of the Local Government Finance Bill. Timetable motion on the legislation.
Lords: Nurses, Midwives and Health Visitors' Bill. Second reading. Motion on the Tobacco Products Labelling (Safety) Regulations.
Question to government on action to assist the motor car industry.
Select Committee: Social Security - organisation and administration of the department.
Witnesses: Tony Newton MP, social security secretary, Ann Widdecombe MP, parliamentary under-secretary, and Michael Bichard, chief executive, Benefits Agency (Room 21, 10.30am).

■ **WEDNESDAY**
Commons: Asylum Bill, *(second reading). Motion on* Social Security Adjudication Regulations.
Lords: Debate on Unemployment. Question to Government on Sex Offenders in Prisons.
Select Committees: parliamentary commissioner for administration - reports of the health commissioner.
Witnesses: North Birmingham Health Authority and Bromley Health Authority (Room 19, 10.45am).
Defence - changes in the Army.
Witness: Archie Hamilton MP, minister of state for the armed forces (Room 15, 10.50am).
Energy - renewable energy.
Witnesses: Wind Energy Group; Wind Energy Association; Yorkshire Electricity Group plc (Room 8, 11.00am).
Education and Science - scrutiny session.
Witness: Lord Griffiths, chairman, School Examinations and Assessments Council (Room 18, 4.15pm).
Health - maternity services.
Witnesses: Royal College of Obstetricians and Gynaecologists; Royal College of Midwives (Room 21, 4.15pm).
Public Accounts - review of Pollution Inspectorate.
Witness: Sir Terence Heiser, Department of the Environment (Room 16, 4.15pm).Transport - preparation for opening the Channel Tunnel.
Witnesses: Eurotunnel officials including chief executive Sir Alastair Morton (Room 17, 4.15pm).
Treasury and Civil Service - subject, banking supervision and BCCI.
Witnesses: Association of Metropolitan Authorities; Association of District Councils; Convention of Scottish Local Authorities; Local Authorities Co-ordinating Committee (Room 15, 4.15pm).
Home Affairs - electoral voting methods.
Witnesses: Home Office officials (Room 8, 4.30).
Procedure - review of European standing *committees.*
Witness: John MacGregor MP, Leader of the Commons (Room 7, 5.00pm).

■ **THURSDAY**
Commons: Coal Industry Bill (second reading).
Lords: Offshore Safety Bill (second reading).
Question to Government on Timetable for Reorganisation of the Scottish Regiments.
Select Committees: Energy - privatisation of Northern Ireland Electricity.
Witnesses: Ulster Democratic Unionist Party; Ulster Unionist Party (Room 8, 3.45pm).
Environment - government proposals for environment agency; and "This Common Inheritance." - The First Year Report.
Witness: Michael Heseltine MP, environment secretary (Room 15, 4.15pm).

■ **FRIDAY**
Commons: Debate on the Citizens Charter.

RESULTS DUE

THE WEEK'S big results are likely to start on a sombre note on Monday when British Steel announces its interim figures. The shares have recently been trading around their 1991 low of 113p, with speculation last *month that the company would* cut or even pass its dividend.

Interim pre-tax profits last year were £307m, while the interim dividend was raised from 2.75p to 3p. This time round, analysts are expecting a pre-tax profit of only about £10m and little cheer to go with it. Only last month British Steel said there were no signs of the UK recession coming to an end, although customer's stocks had been run down far enough to bring demand and supply back into balance.

British Airways is expected to show a sharp improvement on Tuesday in its second quarter earnings over the meagre £9m pre-tax profit it reported in the first quarter of this year. The City expects second quarter profits to be around £125m *to £130m compared with £164m* in the second quarter of last year. Second quarter profits are expected to include exceptional gains of around £25m from the sale and leaseback of aircraft. The improvement reflects the general trend in the airline industry of recovering passenger traffic. BA's own traffic returned to positive growth last month for the first time since the Gulf war.

Two retailers are likely to tell different tales of life on the high street. Boots, the dependable chain of chemists, is expected to produce interim pre-tax profits of £150m on Thursday. That will represent a solid enough figure given the trading conditions although it will still be down on last year's £161m. Core business are expected to have held up well *in the face of the recession but* the company will still be looking a bit queasy about its ill-timed acquisition of Ward White.

Burton Group, which reports its full-year results on Thursday, is looking at a pre-tax profit of only £10m – a pretty pitiful outcome for a company that controls about 12 per cent of the UK clothing market. It was exactly a year ago that Sir Ralph Halpern, Burton's flamboyant chairman and chief executive, quit the company at a time when it was making £133m in pre-tax profits. However, many shareholders will just be thankful that the company is still around as it was forced into a rescue rights issue earlier this year. They will now be desperate to know what the recovery prospects are.

Two of the UK's troubled composite insurers, Commercial Union and Royal Insurance, will report their third quarter losses next week. CU – which has only a minimum exposure to loss-making domestic mortgage indemnity business – is expected to do better than Royal. CU's pre-tax losses are predicted to be between £35m and £50m, compared with a profit of £27m at the same stage last year. Royal could slump to a pre-tax loss of as much as £140m, compared with a £26m loss last year.

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS.
China & Eastern Inv , 156, Bishopsgate, E.C., 11.00
Hays, Angel Posting House & *Livery, High Street, Guildford, 12.00*
BOARD MEETINGS.
Finals:
Amersham Intl.
Bailey (CH)
Sidlaw
Wardle Storeys
Interims:
Betterware Cons Prods
Bimec Inds.
British Steel
Merchant Retail
Personal Assets Trust

■ **TOMORROW**
COMPANY MEETINGS:
GT Venture Inv., 8, Devonshire Square, E.C , 12.00
Intereurope Technology Services, Barrington House, 59-67, Gresham Street, E.C., 11.00
Mucklow (A & J), Chamber of Commerce, Edgbaston, Birmingham, 11.00
Tor Inv. Trust, City of London Club, 19, Old Broad Street, E C., 12.00
BOARD MEETINGS:
Interims:
Body Shop Intl.
British Airways
Crean (James)
Great Portland Estates
Leigh Interests
Marshalls
Meyer Intl

■ **WEDNESDAY NOVEMBER 13**
COMPANY MEETINGS.
Adwest Group, Hotel Inter-Continental, Hyde Park Corner, W., 12.00
Creston, Honourable Artillery Co., Armoury House, City Road, E.C., 12.15
FII Group, Howard Hotel, Temple Place, W.C., 12.00
Frogmore Estates, Clifton-Ford Hotel, 47, Welbeck Street, W , 10.30
Isotron, Howard Hotel, Temple Place, W.C., 12.00
Specialeyes, Canonbury Academy, 6-7, Canonbury Place, N , 12.00
Thorpe (FW), Merse Road, North Moons Moat, Redditch, Worcs., 3 15
Wiggins, Cochrane House, South Quay, E., 12.00
BOARD MEETINGS:
Finals:
Ensign Trust
Jessups
Scottish Value Trust
Tomkinsons
Interims:
Electrocomponents
FKI
General Cons. Inv Tst.
Land Securities
Regalian Properties
VSEL Consortium
Waddington (John)
Warner Howard

■ **THURSDAY NOVEMBER 14**
COMPANY MEETINGS
Baillie Gifford Japan Trust, Caledonian Hotel, Princes Street, Edinburgh, 12.00
Danbury Group, Exchange House Primrose Street, Broadgate, E.C , 10.30
Goodwin, Great Moreton Hall, Congleton, Cheshire, 10 00
BOARD MEETINGS.
Finals:
Burton
Euromoney Publications
Five Oaks Invs.
Gleeson (MJ)
Honeysuckle
Interims:
BOC
Bogod
Boots
Cater Allen
Hanstone
Heath (CE)
Lon Metropolitan
Midland & Scottish Res.
Portsmouth & Sunderland
Newspapers
Powell Duffryn
Raymore
600 Group
Shires Inv
Staveley Inds
Tie Rack

■ **FRIDAY NOVEMBER 15**
COMPANY MEETINGS
Dolgelly Centrepoint, 103 New Oxford Street, W C , 11 30
Gent (SR) Churchill Hotel, Portman Square, W 12 00
BOARD MEETINGS
Finals:
Brit Empire Sec & Gen
Interims.
Explaura Hldgs
RPH
Sonic

Company meetings are annual general meetings unless otherwise stated

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Alliance Tst 4½pc Deb. Red. after 15/6/55 2¼pc
Arcolectric 0.53p
Do. A 0 53p
British Vita 3.45p
Clarke, Nickolls & Coombs 0.3p
Collateralised Mortgage Sec. No 12 Class B Fltg. Rate Nts. 2026 £262.05
Edmond 0 65p
Forth Ports Auth. 3¾pc Funded Debt 1⅞pc
Gates Rubber 4¾pc Deb. 2⅜pc
Glasgow 3½pc Irrd. 1¾pc
Do. Gas 6¾pc Ann. 3⅜pc
Do. Gas 9pc Ann. 4½pc
Do. Waterworks Funded Debt 3½pc 1¾pc
Do. Waterworks Funded Debt 4pc 2pc
Global 0.2p
Henderson Highland Tst. 1.4p
Investors Capital 4pc Deb. 2pc
Kwik-Fit 1.35p
Macro 4 7.175p
Magnetic Materials 2.1p
Manders 2p
Nth. British Canadian Inv. 0.9p
Nth. Housing Assoc. 8⅝pc Gtd. Ln. 2037 4⁵⁄₁₆pc
Ratners 2.4p
Redland 8.25p
Rentokil 1.33p
SD-Scicon 0.365p
Do. 8½pc Pf. 3.25p
Scholes 3.4p
Scottish Eastern Inv. Tst. 4pc Deb. 2pc
Do. 4pc Deb (Red) 2pc
Scottish Mortgage & Tst. 4½pc Deb. 2¼pc
Second Alliance Tst. 4½pc Deb. 1956 2¼pc
Securities Tst of Scotland 7pc deb 1988/93 3½pc
Sharpe & Fisher 1.5p
Sterling Publishing 1p
Whatman 2.9p

■ **TOMORROW**
Bemrose 4 3p
Personal Assets Tst. 0.75p
Far East & Pacific Fd. Pf 17cts
Scholl 2.5p

■ **WEDNESDAY NOVEMBER 13**
AMP (UK) 13pc Bds. 2015 7½pc
BBA 2.26p
Boosey & Hawkes 6.5p
Halifax Fltg. Rate Ln. Nts. 1994 £139.89
Haynes Publishing 1.5p
Homestake Mining 5cts
Laporte 6.8p
National & Provincial Fltg. Rate Nts. 1999 £280.41
Ossory Estates 0.45p
Royal Bank of Scotland Fltg. Rate Nts. 2005 £139 42

■ **THURSDAY NOVEMBER 14**
Burnfield 1 86p
Enterprise Computer 0.25p
Hay (Norman) 0 5p
Liberty 1.85p
Do Non Vtg 1.85p
London & Manchester 4.428p
Merchants Tst. 2.5p
Morgan Guaranty Tst. of New York Fltg. Rate Dep. Nts. 1991 Y497.34
Page (Michael) 37.5cts
Ross 0.03p
Sun Life 14p

■ **FRIDAY NOVEMBER 15**
Abbott Labs 25cts.
Ash & Lacy 2.5p
Australian Agricultural 5cts.
BPP Hldgs. 2 4p
Barclays Bank 8¼% Un Cap Ln. 1988/93 4⅛pc
Do 16% Un. Cap. Ln. 2002/07 8pc
Birmingham District Council 11½% Rd. 2012 5¾pc
Britannia Bldg. Society Fltg. Rate Nts. 1995 £279.78
Burndene Invs. 15% Un. Ln. 2007/12 7½pc.
Cadbury Schweppes 3.2p
Capital & Regional Props 0 3p
Chase Manhattan 30cts.
Do. Fltg. Rate Sub. Nts. 2000 $146 54
Clinton Cards 1.5p
Colgate-Palmolive 26.5cts.
Commercial Union 9.25p
Conversion 10% 1996 B 5pc
Conversion 10% 1996 5pc.
Conversion 9¾% 2006 4⅞pc
Dewhirst 0.29p
Essex Water A 36.6p
Do. Non Vtg. B 36.6p
Exchequer 13¼% Ln. 1996 6⅝pc.
Fairey 3p
Foreign & Colonial Smaller Co's 6% Cm. Pf. 2.1p
Frogmore Estates 10.6p
GT Venture Inv 2.5p
Golden Hope Plants. 3cts
Goodwin 0.83p
Hambros Inv Tst. 5% Cm Pf 1.75p
Hasbro 6cts
Hickson Intl. 2.85p
Highlands & Lowlands 7.5sen
Iceland Frozen Foods 2.65p
Inter-American Dev Bank 9¾% Ln. 2015 4⅞pc
Intereurope Technology 5 4p
Ipeco Hldgs 1.2p
Isotron 2 34p
Jardine Strategic Pf. (Bermuda) 2cts.
Do (Jersey) 2cts
Do (Hong Kong) 2cts.
Jardine Strategic (Bermuda) 3 5cts.
Do (Jersey) 3 5cts.
Do. (Hong Kong) 3 5cts.
Johnston Press 2p
Laing (John) 3p
Do. A N/Vtg 3p
Marsh & McLennan 65cts.
Midland Bank Sub Fltg Rate Nts 2001 £139.89
More O'Ferrall 3.2p
NatWest Bank Und. Var Rate Nts. £296 16
NatWest Finance Junior Gtd. Fltg Rate Nts $187.71
Nihon Dodo Kodan 9½% Gtd Bds. 2000 4¾pc.
Nova Corp. of Alberta 6cts.
Pacificorp 37.5cts
Scimitar Worldwide Selection Ptg Rd Pf (US Dollar) 25cts.
Do (Worldwide Bd.) 29cts
Do (Worldwide Inc Fd.) 11cts
Do (Sterling) 40p
Do (ECU) Ecu0 29
Scottish American Inv 4% Irrd Db 2pc.
Sinclair Goldsmith 1p
Suffolk Water 23 6p
TV-am 4p
TSB Gilt Fd. Ptg. Rd. Pf (Class A) 2 575p
Tollgate Hldgs 3cts
Treasury 12¾% Ln 1995 6⅜pc.
Utd Newspapers 7 5p
West 3 1p
Wells Fargo Fltg Rate Sub Cap Nts 1998 $150 14
Worcester Grp 1.33p

■ **SATURDAY NOVEMBER 16**
GMAC Australia (Finance) 14% Nts. 16/11/93 7pc
Treasury 2% I L 1994 £1.2769
Yule Catto 2 3p

■ **SUNDAY NOVEMBER 17**
Electricite de France 11¾% Gtd. Ser Ln 2009/12 (Reg) 5⅞pc *Treasury 9%* Ln 1994 4½pc.

MANAGEMENT

Packing a punch the American way

Martin Dickson reports on how ANC has been integrated into the industrial culture of Pechiney

One warm weekend last summer, a short, burly businessman with a shiny, bald head could be observed chasing around a Chicago tennis court in a charity match to help the 1992 US Olympic Games team.

At first sight that might seem unremarkable. But the racquet-wielding executive, Jean-Pierre Ergas, is not only French but also an employee of the Paris government – in his role as senior executive vice-president of Pechiney, the state-owned packaging and metals group.

Pechiney acquired Chicago-based American National Can, the world's largest packaging group, in November 1988. But Ergas, who became chief executive of ANC, has lost no opportunity since then to stress a simple message to his American staff, underlined afresh by the tennis match: the company may now be French owned, but its heart remains American.

"We knew that if we wanted to succeed with this acquisition," says Ergas, "we had to do things the American way."

The ANC takeover is one of the most important in a spate of French acquisitions in the US. Three years down the road, the Ergas approach does seem to be succeeding, defying the sceptics who said Pechiney had paid too much and would find its French industrial culture clashed with that of the American business.

Indeed, another attempt to mingle Anglo-Saxon and French management styles in packaging has gone famously sour. Metal Box of the UK and Carnaud of France pooled their interests into CMB, which has suffered endless acrimony.

Contrary to more macho theories of management, the Pechiney deal seems to be succeeding partly because of the French company's slow, deliberate approach to change and its relatively light management touch.

It was vital for Pechiney to integrate ANC successfully, for the \$3.5bn (£2bn) deal was a big gamble for the French company, the world's third biggest aluminium producer. The aim was to move it downstream from its aluminium processing base and thus shelter it from the huge swings of the metals cycle.

Pechiney already had a packaging business in Europe, called Cebel, but this was too small in an industry becoming increasingly global. The ANC purchase makes packaging – which is fairly recession resistant – Pechiney's most important business, accounting for more than 40 per cent of sales.

The deal also had big attractions for ANC, which was the creation of two archetypal 1980s financial engineers, Nelson Peltz and Peter May.

Financed with junk bonds from Michael Milken, they snapped up National Can, the leading US beverage can manufacturer in 1985, and added American Can in 1986 before selling the combined group on to Pechiney two years later.

All this upheaval hit morale at the company, while the heavy indebtedness of Triangle Industries, the Peltz-May vehicle, depressed ANC's results. Pechiney offered a long-term commitment to the packaging industry and access to much cheaper debt than Triangle could raise.

However, in sharp contrast to other 1980s financiers, Peltz and May had made sure that they maintained ANC as a healthy, attractive company by keeping the National Can management team intact and increasing, rather than cutting, capital spending.

So when Pechiney took over, Ergas had the luxury of time to consider how best to run the business – and it was 18 months before he put a new management structure in place. There were no mass executive firings and he did not rush to fill top jobs with people from Paris. Indeed, Ergas was the only Pechiney official to move to Chicago.

He did, however, bring with him some important qualifications for running the group: he already knew packaging, having been head of Pechiney's existing operations, and he knew the US, having spent four years in the country while earning an MBA from Harvard and working for Howmet, a Pechiney subsidiary.

Pechiney immediately made clear that corporate headquarters would remain in Chicago. The company kept its name, and got a new logo. ANC kept its own board, with a large complement of Chicago worthies, while Ergas put his children into local schools and plunged into good community works. Other initiatives have included better performance-related pay incentives for managers and a more comprehensive executive training and appraisal scheme.

Ergas is proud of the fact that in the months after the takeover, his senior managers received several job offers from rival companies, yet none was lured away.

Amid all this bridge-building, *Pechiney has also taken* action to improve ANC's productivity by closing 10 of its least efficient plants and shedding 3,600 jobs. At the same time, it has kept up capital investment, spending some \$300m a year to build new plants and upgrade existing ones.

Equally important, Pechiney's expansion into packaging has helped re-define relations in the US between the various elements in the metal can manufacturing chain – the raw material suppliers upstream, the can-makers in the middle, and the beverage companies makers downstream – in a way which may help improve the can-makers' margins, notes Timothy Burns, an *analyst with Kemper Securities.*

Food and drinks companies in the US have been consolidating, placing greater buying power in fewer hands. And the drinks market has been growing more global, with manufacturers looking for deals with fewer can suppliers who meet their technical requirements around the world. Ergas's new management structure for Pechiney's packaging division – put in place in April 1990 – responds to these pressures.

The beverage can business, which accounts for just over 40 per cent of ANC's sales, has been organised as a global business, as have the group's packaging operations for the even more international cosmetics industry.

However, ANC's food and glass beverage container operations retain separate US and European divisions, reflecting consumers' much less homogenous tastes in food.

Ergas has also boosted the R&D effort – the ANC budget has risen 25 per cent since the takeover – where Pechiney's expertise in metallurgy could *pay big dividends in can* design.

ANC is already testing in the US market a new "fluted" can – with indented sides – which is meant to be more satisfying for drinkers to hold. The link with Pechiney has also been important in ANC's relations with suppliers of raw materials.

ANC's procurement has been centralised in a team which meets in the US one month and Europe the next – and takes advantage of Pechiney's knowledge as an aluminium manufacturer.

ANC still faces potential problems. In common with other US manufacturers, labour relations could prove delicate at some of its high *wage cost plants, and there is* always a danger of it getting sucked into a price war with major competitors.

Analysts say it still needs to cut inefficiencies out of its manufacturing operations and that, despite the consolidation of the packagers, the beverage companies still hold the upper hand in price negotiations.

Did Pechiney pay too much? Ergas acknowledges that its \$3.5bn outlay represented some 15 to 16 times annual income, when the average US packaging company was on a ratio of 12 to 13.

However, Ergas also points out that in the second year after the takeover, ANC's operating profits had risen to a respectable 10 per cent of the *purchase price, and he insists* that the premium was worth paying, given ANC's market position.

After all, it is not every day you can wake up to find yourself the world leader in a growing industry, albeit one that lacks glamour.

Ashley Ashwood

Steve Shirley: "You need skills to run a business, which are not skills I could ever have"

Sowing seeds of success in the job market garden

Lucy Kellaway meets this year's BIM Gold Medal winner

"I HOPE you are not going to dwell too much on the role of women in business," says Stephanie "Steve" Shirley, looking severely over the top of her half-moon glasses.

Steve Shirley, who today wins the British Institute of *Management's Gold Medal for* "outstanding achievement", would rather discuss those achievements on their own merits.

She joins the great and the good of British industry including Sir Christopher Hogg, Sir John Harvey-Jones and Sir Robert Scholey, and while she is the first female to have won the award, she dispenses with any suggestion that she is a token woman.

"I've taken an original idea – which, if I say it myself, was brilliant – into a mature organisation." That idea was to tap the skills of women computer programmers who wanted to work from home. On that basis, she founded the FI Group 30 years ago, and has built it into a company with as strong a reputation for its flexible work practices as for success in software.

"I've always thought of myself as a gardener," she says, although what she grows is not plants, but people. While she spouts all the fashionable clichés about people being a business's most valuable asset, she has been saying that for decades, and has been doing something about it too.

When it emerged a few years ago that some of her 1,000 staff would rather not work at *home, FI established "neigh*bourhood work centres" at motorway intersections that are open nights and weekends.

Unlike other entrepreneurs, she seems to have managed the difficult transition from a small company to a largish one. "I am a believer in professional management. You need particular skills to run a business, which are not skills I could ever have." Several years ago, she handed over the daily management of the company to Hilary Cropper, and is now distancing herself further by selling part of her stake in the company to the workers in a bid to change the group's culture.

"We tried everything. I gave out shares, then set up a trust, but *it did not work. It still felt* like a family company." Now three quarters of the staff have bought shares, as have a third of its subcontractors.

She talks grandly about the "concept of empowerment", but gets cross if you suggest that means getting staff to participate in running the company. No, she says, "empowerment is the embodiment or visible face of an underlying change. People want to have power in their own hands, to make decisions regarding where they work, *when they work and* what they do."

Shirley will doubtless be spending more of her time promoting such ideas through her heavy, extra-curricular list of activities. Times have changed since she left ICL and started calling herself "Steve" in the hope that people would take her more seriously as a seller of software.

But big business still has a long way to come, and women are still leaving large organisations because the structures are too rigid.

She sees herself as "a role model for younger women entering the work force," and seems happy playing the part of grand dame.

What does she think of *projects like Opportunity 2000?* Shirley looks sceptical. "I don't think the prime minister recognises that a 30-year-old woman with home responsibilities is more mature than her male counterpart. It behoves businesses to provide the flexibility that we've always done."

APPOINTMENTS

The land of Peugeot and Lea & Perrins

THE West Midlands Development Agency (WMDA) has recruited John Watson, a Leeds-born Francophile, to sell the region to French companies.

Hitherto represented in Germany, the US and Japan, the WMDA was a product of the last recession at the beginning of the 1980s. There are currently 700 foreign companies employing 100,000 workers in the West Midlands and the agency is keen to step up its inward investment programme.

"The French are currently the largest overseas investor in Europe and have selected the UK as one of their priority areas," says Watson. Sixty French companies have already pitched their stall in the area including Peugeot and the food group BSN, now in the unlikely function of producing the Englishman's HP and Lea & Perrins Worcester sauce.

Watson, who has lived in France for 15 years, previously represented the Telford Development Corporation which, because of the finite life of new town projects, was wound up in September. "The Rhone-Alpes area corresponds pretty closely to the west Midlands," he says – though he presumably discounts the scenery.

Although operating from Lyons, his search will be country-wide; the two sectors where he particularly hopes to woo significant numbers of investors are auto components and computer software.

A chartered engineer turned marketing man, the 60-year-old Watson maintains a long string of consultancies, and supports an office in Barcelona as well as Lyons. Indeed he has just given up a *professorship in* business politics at the Barcelona Business School because of time pressures.

Getting an audience with French companies he does not already know is easy – "they're sufficiently curious about an Englishman with good French". The harder part follows later.

Turner returns to Rolls-Royce

ROLLS-ROYCE has appointed Richard Turner to the new position of group marketing director to strengthen the company's marketing structure at a time of fierce competition in both the aero-engine and industrial power markets.

The new appointment follows the company's reorganisation earlier this year into two core businesses: the aerospace group and the industrial power group. Turner's task is to co-ordinate the marketing of the company's two business groups.

He returns to Rolls-Royce after three years with STC, the electronics company, where he was group marketing director; he worked for Rolls-Royce from 1965-88, latterly as commercial director of the company's civil aero-engine activities.

■ UNITED BISCUITS announces that Terry Standard is to become md, continental Europe and Asia Pacific; Andy Green, md group services; Howard Brookman, is to become European manufacturing planning director for McVitie's; David Garman is to join KP Foods from Ross Youngs as European manufacturing director.

Non-executive directors

■ Joe Palmer has been appointed to the main board of HALIFAX Building Society. Palmer, who is 60, recently retired as director and group chief executive of Legal & General. He was chairman of the Association of British Insurers from 1989 to 1991.

■ Baroness Eccles of Moulton has been appointed to the NATIONAL & PROVINCIAL Building Society. She is the society's first female director.

■ Jeremy Marshall, chief executive of De La Rue, has been appointed to JOHN MOWLEM.

■ Paul Bosonnet, deputy chairman of BOC, has joined Mercury Asset Management Group.

■ Ray Wheeler, formerly chairman of Myson and an associate director of GEC, joins MAI.

■ Tom Bennett is joining *LONDON SCOTTISH BANK.*

■ Christopher Haines, chief executive of the Jockey Club and former chairman of the UK Sugar Merchants Association, joins YORKSHIRE FOOD GROUP.

■ David Heynes has been appointed chairman of Hewitt Group.

ARTS

LETTER FROM NEW YORK

Sentimental Broadway

Arthur Miller protests too much. The American playwright was quoted in *The Times* recently as saying that he could not bear to have his new play, *The Ride Down Mt Morgan*, premiered on Broadway because London was so much more hospitable and he didn't want to be "the only play in town".

Perhaps I was lucky. I saw two fine plays in New York last week, one new, one old, a fascinating musical-in-the-making and came to understand why some Americans flock to Neil Simon in a way that Britons will not.

On the face of it, the similarities are more apparent than the differences. Four of the main musicals currently running on Broadway are also running in London: *Cats*, *Miss Saigon*, *Les Misérables* and *The Phantom of the Opera*. *Peter Pan* is coming up for Christmas. Two recent London shows have recently transferred: Harold Pinter's *The Homecoming* and the Abbey Theatre's production of Brian Friel's *Dancing at Lughnasa*, the latter having received a panning in this week's *New Yorker*.

If you look around, however, there is not only hope but enthusiasm. As a city, New York is even more economically depressed than London. Yet the theatre audiences continue to pour in. "I came here to be cheered up," is a frequent refrain at the interval.

Not that the therapy always works. "I know it's good," said someone of the musical, *Nick & Nora*. "I just feel so guilty I can't keep my mind on it." And of the gently mephistophelean comedy, *On Borrowed Time*, the lady in front of me left at the interval saying that the last thing she wanted to hear about was death. If there is a common theme, it is sentimentality; the common props are children, animals and guns, but there is also a great deal of style.

Nick & Nora is the ambitious musical-in-the-making. An article in last Sunday's *New York Times* chronicled the multi-million dollar fund-raising that has gone into it. The show has been previewing at the Marquis for weeks. It was due to open officially yesterday, but the date has now slipped till early December. Since it is Broadway's only original musical in the current season, you can see how much is riding on it.

Based on Dashiel Hammett's sleuths in *The Thin Man*, it is potentially a musical on the grand scale: a thriller with a plot so complex that you really have to think. The story is being simplified as the previews go on. Meanwhile, it has some wonderful moments as Nick (Barry Bostwick), the old detective with his fox-terrier, and his socialite bride Nora (Joanna Gleason) compete to try to reconstruct the crime and establish the motives.

The setting is Hollywood, 1937. All the glamour and glitter of the best Hollywood movies are there: costumes, sets, dancing, martini-mixing, the occasional sharp bit of dialogue and social comment. At the end there is genuine suspense. But ultimately, I think that *Nick & Nora* will not make it to the top because the music by Charles Strouse is not quite strong or distinctive enough.

Paul Osborn's *On Borrowed Time* at the Circle in the Square Theatre is a rediscovery. The play was a Broadway hit in 1938 and subsequently became a movie. Sentimentality exudes, but it remains a remarkably deft piece of work.

The idea was taken from a novel by L.E. Watkin about a boy whose parents were killed in a car crash and who was entrusted to his grandparents. Grandmother promptly dies leaving the boy, Pud, with his grandfather (Gramps) who is also dying. The key to the plot is Gramps's defiance of Mr Brink, the polite harbinger of death. Gramps gets Mr Brink trapped up an apple tree, so that there can be no more deaths until Brink is released.

The play is full of light symbolism and marvellous incidental parts, like the baptist aunt, Demetria, who wants to claim Pud for his inheritance, and the local doctor who finds himself out of his depth when death loses its sting. It is staged by George C Scott, an old Eugene O'Neill hand who also plays Gramps for everything he is worth.

Would the piece translate to London? The sentimentality might get in the way and it would have to be at least as well-staged as it is in New York – the Circle in the Square is the best theatre in the round I have ever seen. Yet for the Royal Shakespeare Company or the National it should be a risk worth taking. The role of Mr Brink, played here by Nathan Lane, is a delight: Demetria harks back to Ben Jonson. *On Borrowed Time* is very funny as well as subtle and touching.

The best new play is equally sentimental and also looks backwards. *Park Your Car in Harvard Yard* by Israel Horovitz is a two character drama about an English and music teacher in Gloucester, Massachusetts who tended to flunk his students for not being perfect. An old man now, he lives on his own, listening to music, until he hires a girl to look after him.

She turns out to be one of his failed students, as indeed were all the members of her family. Her mother, we learn towards the end, was the teacher's mistress, though he failed even her for being a poor student.

Here, I think, is an example of an American work that would cross the Atlantic only with difficulty. The sentimentality goes too far, ending in the inevitable peaceful death and reconciliation. Nevertheless, if you want to see a well-made American play, magnificently done, with funny lines and clever use of music, see this production at the Music Box. Jason Robards as the teacher deserves the standing ovation he receives from a packed house; so does the admirable Judith Ivey as the former student.

The play I did not like was Neil Simon's *Lost in Yonkers*, which has been running at the Richard Rodgers Theatre and has already received a Pulitzer Prize. The *New Yorker* says it all in its thumbnail sketch: "There's not one glimmer of honesty or authenticity in this family melodrama in the second world war."

The piece is very intense and very Jewish. Some people say that it also contains jokes. It is about a family whose mother, having been maltreated by the Germans, becomes more Prussian than the Prussians in taking it out on her own children. Rosemary Harris plays the mother. Jewish New York has been lapping it up and there are claims that Simon has achieved a new seriousness. An accountant who had just lost his best client told me at the interval that it really cheered him up. I dissent, but *pace* Arthur Miller, it is not the only play on Broadway.

Malcolm Rutherford

Kathleen Battle and Luciano Pavarotti in Donizetti's L'Elisir d'Amore

The Met's new Elisir

Every 30 years or so, since 1904 when *L'Elisir d'amore* reached the Metropolitan Opera with Sembrich, Caruso, and Scotti, the company has put on a new production of the opera: in 1930 (with Gigli, De Luca, and Pinza), in 1960 (with Söderström), and last month (with Kathleen Battle and Pavarotti).

The old but still serviceable 1960 production, rather too hard and bright, which I've seen house fine performances by Judith Blegen, Carreras, Bergonzi, has been replaced by a very ugly new version, designed by Beni Montresor largely in reds and yellows, and produced by John Copley. Steep stairs and a principal acting area pushed upstage make it unhelpful to the singers, and so to the opera.

The opening night was unhappy, ill-cast. Pavarotti, in tone and in approach, coarsens a role that many tenors – Schipa, Gigli, Tagliavini, Di Stefano, Bergonzi – sang with distinction late into their careers. *Elisir* is a comedy, but a comedy of character, touching and true – a *Tristan* with a happy ending. Nemorino is funny, but he amuses us *con tenerezza*. Pavarotti wins open laughter from his adoring audience when he enters suitcase-in-hand to sing "Una furtiva lagrima" – and misses the point that it's not a sad but a joyful, triumphant aria. Donizetti's Nemorino is not about to leave: "lagrima" is not the key word; "m'ama" is – yet with the joyful realisation that Adina loves him is mingled a kind of awe that she should do so.

Battle was a mannered, unspontaneous, careful Adina. Having husbanded her resources, she then sang the soprano's final aria, "Prendi per me," with more generous emission and considerable art – and Pavarotti managed to punctuate her efforts by laughter at them, through his reactions, especially when she at last emitted a ringing high note.

Juan Pons was a blunt Belcore, without vocal swagger. Enzo Dara, the billed Dulcamara, fell ill, and his cover was a cipher. Marcello Panni conducted with a kind of metronomic flail, insensitive and unfeeling. Pavarotti had a good moment or two, melting note into note, or pronouncing a word vividly. Battle controlled a tiny, stingy, but sweet-toned voice with skill. In sum, it was yet another dismal Met evening in which a good opera was given unworthy performance.

Andrew Porter

La traviata

FRANKFURT OPERA

This new production is notable on two counts. Violetta is Margaret Marshall's first Verdi role, and reveals a hitherto untapped vein of passion in her artistic personality. The staging is also unusual for the way the Austrian film director Axel Corti updates the action to the Vichy era.

In 1941 Corti was a boy in occupied Paris. Although he didn't know its origin at the time, the tune he liked hearing most from the barrel-organ men was "Amami, Alfredo!". When he was first taken to the Opéra, it was to *La traviata*. He recalls being impressed by the sight of German officers in the stalls and the sweet scent of their ladies, and during the overture, the orchestra obligingly piped up with his favourite tune. That is the starting point for Corti's Frankfurt staging.

Violetta is a glamorous French actress who inhabits the fun-loving world where the arts mix with wealth and high society. But she is Jewish and has TB. Douphol, a German general, acts as her protector in return for services rendered: at the end of Act one, after the party has been broken up by an air-raid siren, he slips back to have his way with her. Germont is a Pétainist industrial baron whose fortune depends on keeping the Nazis sweet. The rural idyll at the start of Act two turns out to be a Normandy beach villa, and the interior is laden with the kind of *entartete Kunst* (degenerate art) the Nazis so despised. By the final act, Violetta and Annina have got hold of papers to flee Paris, and are in the grubby waiting-room of a main-line rail terminus.

To his credit, Corti understands that *demi-monde* means refined but permissive society, and his designers (Bert Kistner and Gaby Frey) have responded with tons of late 1930s style. But the staging is fundamentally flawed because *La traviata* does not fit the story Corti wanted to tell. Verdi's opera is about love, sacrifice and song; Corti seems more interested in semi-autobiographical incidentals of wartime Paris – refugees creeping in to polish off the party food during "E strano", the Gestapo and their dogs trawling for undesirables during "Parigi, o cara". Corti also misjudges the large set-pieces, because he views the stage with the eye of a film director: while Violetta is waltzing around in Act one, for example, the chorus stands gawping like a bunch of off-camera extras.

Miss Marshall's classically beautiful, unfailingly musical Violetta has the poise for the first half of the evening, but not the vulnerability for the second. At times she tries too hard, at others the dialogue passes for little. She is at her best in the second act, where she combines emancipated composure with feminine virtue. Although the voice sounds stretched at the end of Act one, there is little to suggest this is a heavier role than we are used to hearing from her. Few sopranos bring such Mozartian clarity and control to the coloratura, or Bellinian legato to the long melodic arcs.

She is partnered by the tenor Dino de Domenico – not much colour to the voice, but no bad habits – and David Pittmann-Jennings' excellent Germont. Silvio Varviso proved a sensitive accompanist, though the orchestral sound in the newly-refurbished theatre is harsh and bright. While everyone at the Frankfurt Opera may be relieved that the theatre is finally functioning properly, it is a pity that the character of the house has been altered: the plush blue postmodern fittings, with steel mesh ceiling and balcony facades, sit awkwardly on the auditorium's traditional design.

Andrew Clark

Opera 80

CONGRESS THEATRE, EASTBOURNE

The lot of touring opera companies in these islands is unhappy. They are doomed to play in some cheerlessly unsuitable buildings. One such is the Congress Theatre at Eastbourne, a poor relation of the Festival Hall, with the legend "Festival of Britain" stamped on the exterior and on the auditorium - wide, high, poor for sound, a discouraging concert-hall, near-lethal for opera.

All the same, Opera 80's visit last week with *The Magic Flute* and *Albert Herring* suggested that more adaptability and flexibility on the directors' part might have helped. The *Flute* in Stephen Medcalf's production first given last February, revived now by Daniel Dooner, drew a poor house on the Tuesday. The translation by Jeremy Sams, under-projected, made little impact. Over the stage proceedings there lay a pall of English gentility. In that huge space characters addressed one another naturalistically as if we weren't there. Movements and gesture were dull and inexpressive.

The pleasant-voiced Papageno, Peter Langham Evans, was the most genteel of all. We know by now about the Brotherhood of Man, deeper levels of meaning, and so on, but the *Flute* is rooted in popular theatre. No-one expects an English Papageno to keep an audience eating out of his hand like a Viennese comic playing Nestroy or Raimund (successors of Schikaneder), but unless contact is made on the ground level there is not much chance of reaching the heights.

There were peculiar features. So much black in Anthony Baker's interesting but dispiriting set and costumes - is black the best way to convey Enlightenment? Nicholas Cavallier's young, shiny-haired Sarastro vocally and verbally made a stronger impression than anyone else. Yet he and his equally black-robed attendants suggested not goodness so much as a rather sinister sect or secret society.

The Queen of the Night was Penelope Randall-Davies, her second aria strong and full-toned, her dialogue a dead loss. In a smaller theatre one might have warmed to the sweet little Pamina (soundly sung) of Lisa Tyrrell and the vulnerable Tamino of Andrew Tusa. Gaynor Morgan's Papagena engaged directly and successfully with the audience, but by then it was too late. Consolation came from the crystal-clear playing of the company's small but expert orchestra. Conductor Charles Peebles used fast tempi, for which, in an opera in the past too often swamped by reverence, there is much to be said, notably where Sarastro is concerned. Only the March in act 2 (for a moment I mistook it for the foxtrot "Tea for Two") and the duet for two priests were implausibley rushed.

On Friday *Albert Herring* drew a larger, more responsive audience. The new production by Clare Venables was first given during the opening week of the present tour. East Anglian local colour is deliberately avoided. Unfortunately there isn't much apart from erratic fantasy to put in its place. Cosy shops and breakfast parlours are not a purely English phenomenon. With the cast busily on the move in Tim Reed's open set, continually confusing indoor and outdoors, there was no hope for the cramping domesticity which was the main cause of Albert's frustration.

Lady Billows (Penelope Chalmers, unwell, her vocal power evidently reduced, but performing gamely) was first seen in a gilded cage, with a bald pate, in a crimson crinoline from the front resembling a Francis Bacon cardinal without his hat. The lugubriously pensive Albert of Christopher Lemmings, the police superintendent of Christopher Purves and Mark Cartwright's Mayor all suggested possibilities not to be fully realised in this setting. Meanwhile Sid (David Ellis) and Nancy (Kathryn Hide), the best-written parts in the opera, and Paul Whelan's strong voice and diction as the vicar had the best of it. The forceful housekeeper of Susan Gorton and the too little forceful Mrs Herring of Eleanor Bennett might with advantage change roles.

Martyn Brabbins and the orchestra proved that Britten's spiky but endlessly resourceful chamber orchestra can survive even in this theatre. A pity that the interludes, including the magical nocturne, were largely spoiled by the scene-shifters, quietly as they worked. The tour now goes to Ipswich, Buxton, Weston-super-Mare and Dartford.

Ronald Crichton

2, Samuel 11, Etc

THEATRE UPSTAIRS

Sexual fantasy is a dangerous commodity in the theatre for all sorts of more or less obvious reasons. For a start, a play lacks the distancing apparatus of a novel or a film. The performers, real people, have to act it out within a fictional construct that suddenly seems wafer-thin. You cannot skip the page or hide it under the mattress. Actors and audience are utterly exposed to each other and to their own responses. In the case of this prolix and defiant piece by the American writer David Greenspan, the responses range from boredom to bafflement, intrigue to indignation, sometimes all at the same time.

Within the dramatically austere structure of talking heads, Greenspan creates his own bizarre distancing mechanism. The homosexual fantasies of a male writer scribbling at the back of the stage are voiced by a woman sitting at the front of it. His efforts to pen a biblical epic are repeatedly thwarted by the insistence of his own libido. In a monologue that is wholly and repetitively explicit, the woman recounts the sexual adventures of a young gay of the pre-Aids generation – so promiscuous that he cannot remember his lovers' names.

In the second half, the tables are turned. A man in a shower takes us through 28 years in the life of a heterosexual woman. Almost incidentally, it emerges that one of her friends has been tested HIV positive. The fantasy of the first half combines with the reality of the second to reflect how the cataclysm of Aids impinges on an ordinary life.

Descriptions that would seem obscene related by a man become acceptable, even erotic, when spoken by a woman. Kate Harper is brave, commanding and utterly focused, rolling the strange biblical syntax around her mouth like a wine buff at a tasting. Kerry Shale, naked and exposed beneath a shower-head that hovers above his head like a halo in an allegorical painting, conjures a cacophony of voices.

Matthew Lloyd directs this co-production by Hampstead Theatre and the Royal Court with an unswerving sense of purpose, even in those moments when one wonders if there really is one. A lot of people will hate the piece, but it would not be effective if they did not.

Claire Armitstead

Bryan Adams

Wembley Arena

History makers are often quite unassuming types who march in tune to the beat of the unassuming masses. So it is with Bryan Adams, who has achieved a pop record unapproached by the Beatles, Presley, Madonna, even Bananarama – an unprecedented 16weeks at the top of the singles charts with the romantic ballad "Everything I do for you".

Before it goes to the young Canadian's head cynics will have pointed out that sales of singles are currently as rare as sales of houses and the fact that Adams had to overhaul Slim Whitman for his place in the record books rather debases popular taste.

Not that Adams shows any signs of hauteur. On view at the Wembley Arena on Friday he came across as the guy in the jeans advertisement who gets the girl – and the quiet admiration of his fellow men. He is such a nice chap that on previous nights he had hauled on Slim to share the stage for a spot.

Somehow record buyers have latched on to his basic wholesomeness and they gave him a reception that would have turned the head of a saint. I have never seen Wembley so pleased with its star and with itself. A packed crowd, nicely balanced in sex and age, gleefully indulged in football chants and in a mutual orgy of love and appreciation. The atmosphere was ecstatic.

And what impressed warped old critics was the good taste on show. Adams is no slushy, phoney, exploiter. He comes from that long out of style school – your straight, up and down, rock and roller. With his four piece backing band he is replicated in barrooms throughout north America and in pubs throughout the UK.

Anyone who thought good old fashioned rock, built aound bruising guitars, ebullient drumming, and wailing keyboards, had quite lost out to disco, rap, soul, or the machinations of studio engineers, would haved been immensely cheered.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Borodin Quartet continues its cycle of string quartets by Shostakovich. Tomorrow: Yuri Temirkanov conducts the Leningrad Philharmonic Orchestra, plus a song recital by Elly Ameling. Wed and Thurs: Wolfgang Sawallisch conducts the Royal Concertgebouw Orchestra. Sat: Jeffrey Tate conducts Mozart's Zaide. Sun: Nikolaus Harnoncourt conducts the Concentus Musicus Wien (6718 345)

Muziektheater 20.15 Ballet gala with soloists from the Stuttgart Ballet, the Paris Opera Ballet and the New York City Ballet. There will also be contributions from members of the Dutch National Ballet and the Krisztina de Chatel dance group. Tomorrow, Thurs and Sun: Johannes Schaaf's production of Fidelio. Wed, Fri, Sat: Sankai Juku, Japanese Butoh dance group (8255 455/credit card bookings 6211 211)

BERLIN

MUSIC

Staatsoper unter den Linden 19.00 Zar und Zimmermann, comic opera by Lortzing. Tomorrow: Giselle. Wed: Der fliegende Hollander. Thurs: Ariadne auf Naxos. Fri: Le nozze di Figaro. Sat: The Taming of the Shrew, ballet by John Cranko. Sun: Lohengrin (East Berlin 2004 762)

Komische Oper 19.00 Rolf Reuter conducts Harry Kupfer's production of The Bartered Bride. Tomorrow: Der Freischutz. Wed: Swan Lake. Thurs: Rolf Reuter conducts symphonic music by Hans Pfitzner. Fri: La boheme. Sat: Idomeneo. Sun: Orfeo ed Euridice (East Berlin 2292 555)

Deutsche Oper 19.00 Marcello Viotti conducts Don Giovanni, with a cast led by Andreas Schmidt and Inga Nielsen, also Fri. Tomorrow: Die lustigen Weiber von Windsor. Wed: Das Rheingold. Thurs: Aida. Sat: choreographies by MacMillan, Bejart and Balanchine. Sun: Die Walkure (West Berlin 3410 249)

Schauspielhaus 20.00 Hartmut Haenchen conducts the CPE Bach Chamber Orchestra in an all-Mozart programme, with Peter Schreier tenor soloist. Tomorrow: Berlin Philharmonic Chorus in music by Bach, Bruckner and Reger. Thurs, Fri and Sat: Claus Peter Flor conducts the Berlin Symphony Orchestra. Sun: Rattle conducts the Berlin Philharmonic (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 Daniel Barenboim is conductor and soloist with the Berlin Philharmonic Orchestra in Elgar's Serenade for Strings, Bartok's Divertimento and Mozart's Piano Concerto No 17, repeated tomorrow and Wed (West Berlin 2614 383)

THEATRE

East Berlin: the Volksbuhne has a new production of Chekhov's early play On the High Road on Fri and Sat, directed by Horst Hawemann (282 3394). The Berliner Ensemble has Schweyk tomorrow and Sun, The Threepenny Opera on Thurs and Galileo Galilei on Fri (2827 712). The Deutsches Theater repertory includes Goldoni's Servant of Two Masters on Thurs, Peer Gynt on Fri and Turgenev's A Month in the Country on Sat (2871 225), with G.B. Shaw's Heartbreak House at the Kammerspiele on Wed (2871 226). The Maxim Gorki Theater has Shakespeare's As You Like It tomorrow and Sun, and Peter Shaffer's Amadeus on Thurs and Sat (2082 748).

West Berlin: the Theater des Westens has the first German production of Stephen Sondheim's musical Follies, daily except Mon (3190 3193). The Schaubuhne has Luc Bondy's production of The Winter's Tale tomorrow, Wed and Sat (890023). The Schiller Theater has Lessing's Minna von Barnhelm on Wed and Sun, and Goethe's Iphigenie auf Tauris on Fri (3195 236).

THE HAGUE

This week's events include a Nederlands Dans Theater production tonight, featuring new choreographies by Mats Ek, William Forsythe, Hans van Manen and Jiri Kylian. On Thursday and Friday, the company presents two world premieres by Amanda Miller, plus Hans van Manen's 1971 ballet Grosse Fuge (360 4930). Tomorrow at Dr Anton Philipszaal, Willem Bruning conducts the Residentie Orchestra and Cantamus Alati in Bruckner's D minor Requiem and Rossini's Stabat Mater. Saturday's concert consists of Franck's Beatitudes, and on Sunday John Alldis conducts the Netherlands Chamber Choir in music by Britten and Poulenc (360 9810)

LONDON

Guildhall School of Music and Drama 19.00 Prokofiev Festival: Mstislav Rostropovich conducts Stephen Medcalf's new production of Betrothal in a Monastery. Repeated on Wed and Fri, also next Mon and Wed (071-638 8891)

Covent Garden 19.30 David Atherton conducts John Dew's production of Les Huguenots, with a cast including Richard Leech and Angela Denning, also Fri. Tomorrow and Sat: Solti conducts Simon Boccanegra. Thurs: Fokine's Les Sylphides and three other ballets (071-240 1066)

Royal Festival Hall 19.30 Yehudi Menuhin conducts the Royal Philharmonic Orchestra in music by Elgar, Delius and Beethoven, with Gil Shaham soloist in Bruch's Violin Concerto. Tomorrow: Neeme Jarvi conducts the Philharmonia. Wed: guitar recital by John McLaughlin. Thurs: Kenneth Klein conducts Gershwin, Barber and extracts from Showboat. Sat: Rozhdestvensky conducts the Stockholm Philharmonic (071-928 8800)

Barbican 19.45 Maxim Shostakovich conducts the Jerusalem Symphony Orchestra in music by Beethoven, Shostakovich, Ben Haim and Dvorak. Tomorrow: Elisabeth Soderstrom and the Nash Ensemble. Wed: Christoph Eschenbach plays Mozart with the ECO. Thurs: Rostropovich conducts Prokofiev. Sat: Jessye Norman (071-638 8891)

NEW YORK

Blue Note Jazz Club and Restaurant
Tonight's guest artist is Rene McLean, with shows at 21.00, 23.00 and 01.00. From tomorrow till Sun, the Blue Note's Fusion Extravaganza continues with Larry Carlton, with music from 21.00. Next week: The Zawinul Syndicate (131 West 3rd St, 475 8592)

Chicago B.L.U.E.S
A new club featuring Chicago-area blues artists working with their regular Chicago blues bands. The Aron Burton blues band plays tonight and tomorrow. Music begins after 21.00 (73 Eighth Ave, near 14th St, 255 7373)

Ritz
Guitarist Al Di Meola is scheduled to play tomorrow, followed on Wednesday by a rare club appearance by Squeeze, a well-established band known for their impeccable, beautifully-constructed pop tunes (254 West 54th St, 541 8900)

UTRECHT

Vredenburg 20.15 Monica Huggett is director and violin soloist with the European Community Baroque Orchestra in works by Farina, Biber, Bonporti, Schmeltzer and Vivaldi. Tomorrow: Amsterdam Bach Soloists play concertos by Bach and Forster. Wed: Barbara Nissman plays piano music by Prokofiev. Fri: Antoni Ros-Marba conducts the Netherlands Chamber Orchestra in music by Mozart and Beethoven. Sat: Edo de Waart conducts Mahler (314544)

VIENNA

Staatsoper 19.30 Berislav Klobucar conducts Der fliegende Hollander, with a cast led by Robert Hale and Ingrid Haubold. Tomorrow: ballet evening. Wed: Don Giovanni. Thurs: Der Rosenkavalier. Fri: Cosi fan tutte. Sat: Salome. Sun: Fidelio (51444 2960)

Volksoper 19.00 Kalman's operetta Grafin Mariza. Tomorrow: Wiener Blut. Wed: Der Freischutz. Thurs and Sun: Der Graf von Luxemburg. Fri: Die Fledermaus. Sat: Die Csardasfurstin (51444 3318)

Musikverein 19.30 Heinz Wallberg conducts the Tonkunstler Orchestra in music by Mozart and Beethoven, with an alternative programme on Wed. In the Brahms-Saal, the Clemencic Consort gives a concert performance of Johann Joseph Fux's Giunone placata, marking the 250th anniversary of the composer's death. (505 8190)

Konzerthaus 19.30 Wien Modern: Hans Zender conducts the Ensemble Modern in music by Harrison Birtwistle, George Benjamin and Messiaen. Tomorrow: Fischer-Dieskau recital. Thurs: Grace Bumbry sings Brahms, plus Beat Furrer conducts Birtwistle. Fri: Arleen Auger and Murray Perahia. Sat: Michael Gielen conducts Birtwistle, Messiaen and Schnittke. Sun: John Eliot Gardiner conducts Handel's Agrippina (7124 6860)

Burgtheater 19.30 Kleist's Penthesilea, directed by Ruth Berghaus. Tomorrow: Waiting for Godot, directed by Cesare Lievi. Thurs: The Merchant of Venice. Fri, Sat, Sun: Hofmannsthal's Der Schwierige (51444 2218)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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Regulating the regulators

THE GOVERNMENT'S aim of making utilities such as gas, water and telecommunications deal better with customers' complaints is commendable. So too are simple systems of redress which offer cash compensation when things go wrong. And independent and binding arbitration when customer and utility fall out is clearly desirable in the absence of effective competition.

However, it is not at all desirable that this ombudsman role should be carried out by the regulator, as the government proposes in the Competition and Service (Utilities) Bill published on Friday. The regulator has a quasi-judicial role, determining the utility's pricing formula in the light of information on its rate of return and the need to promote greater competition. He can build quality criteria into his judgments, and specify non-financial targets such as energy-saving or social objectives. But handling complaints and arbitrating in disputes are very different functions.

Indeed, making the regulator act as an ombudsman could re-invent the sorts of conflicts which bedevilled ministers responsible for nationalised industries; the goal of better services was all too frequently obscured by the desire to minimise politically contentious price rises. Better to let the regulator regulate and set up an ombudsman with clear powers to sort out complaints.

With these powers separated, it is possible to imagine public hearings at which advocates of individual and corporate user interests could be invited to question witnesses in the same way as counsel for interested parties speak at statutory tribunals.

Light touch

The UK model of light touch regulation based on control over prices by a named individual has been a largely successful spin-off from the privatisation programme. A steady stream of visitors from North America have found much to commend it in comparison with their own bloated regulatory bureaucracies. The publication of the new bill, however, offers an opportunity to re-evaluate the role of regulators. Seven years after the birth of Oftel, new questions arise.

Questions, most obviously, about the transparency of the decision-making process, raised recently by Oftel's silence over its plans in the run-up to the BT share offer. Questions about the accountability of regulators, given the well-rehearsed dangers of regulators getting too close to their charges on the one hand and political interference in the regulator on the other. Questions about the overall supervision of regulators, and the role of bodies such as the Monoplies and Mergers Commission in reviewing their work.

Exposing evidence

Improving the transparency of regulation requires at the very least some form of public exposure of evidence. The information upon which the regulator makes his decisions and the criteria which he uses should be in the public domain. In some circumstances, it will be necessary to protect commercially-sensitive information, but this cannot be allowed to obstruct scrutiny where there is an effective monopoly or where one player is as dominant as, for example, BT is in telecommunications.

It is essential that the public has a high level of confidence in regulators whose decisions have large and direct consequences for household budgets, not to mention industrial competitiveness. Greater transparency will help in this process, but will not in itself do the job. Another improvement would be to require regulators to report annually to parliamentary select committees, which would then also hold public examinations of their reports. Regulators' appointments – which should be for fixed and non-renewable terms as another bulwark against cosiness – might be subject to confirmation by the same committees.

Finally, fundamental scrutiny of each regulated utility should occur once a decade or so. The Monopolies and Mergers Commission is the body best qualified to carry out such an exercise. The aim would be to suggest changes in company and market structure that would permit less – or more effective – regulation, by imposing more competition.

Nato's role in Europe

WITH THE ending of the Cold War, it was clear that Nato, an organisation created essentially to defend the west against military attack by the Soviet Union, would have to change. Last week's summit of Nato leaders in Rome was intended to consecrate the transformation of the Alliance into more of a political organisation, devoted to healing the breach with its former adversaries and to common security problems.

In spite of the self-congratulatory statements, the leaders only partly succeeded in laying the foundations of such a transformation. The Co-operation Council, an institution set up to build a new relationship with the Soviet Union and eastern Europe is certainly a desirable move. But it is unlikely to satisfy for long the new eastern European democracies, such as Hungary, Czechoslovakia and Poland, which aspire to full membership of Nato, as well as to the European Community.

Moreover, the attempt to forge closer ties between west and east within the Nato framework duplicates the role of the 38-nation Conference on Security and Co-operation in Europe, proclaimed in the Charter of Paris barely a year ago.

France insisted that the final declaration in Rome include a substantial section on the need to strengthen the CSCE as an essential element of the new European security "architecture". But despite their best efforts, the drafters of the document cannot hide the fact that Nato and the CSCE have increasingly overlapping political functions.

Nato, is much the more dynamic of the two organisations at present. Sooner or later, this duplication will have to be sorted out.

Current watchword

Duplication was also the watchword when the question of greater co-operation in European defence was discussed last week. George Bush and John Major were adamant in stressing that it was as much Nato's own identity as it was Europe's new defence role that was at stake. Again, the final documents goes through some remarkable contortions in an attempt to reconcile the commitment both to Nato's responsibilities for Europe's defence and to the leaders' strong support for a developing European defence role.

Predictably, the communique was all things to all men. But behind the language of consensus lurked an acute sense of the threat to the trans-Atlantic partnership unless the development of European defence co-operation was not handled deftly.

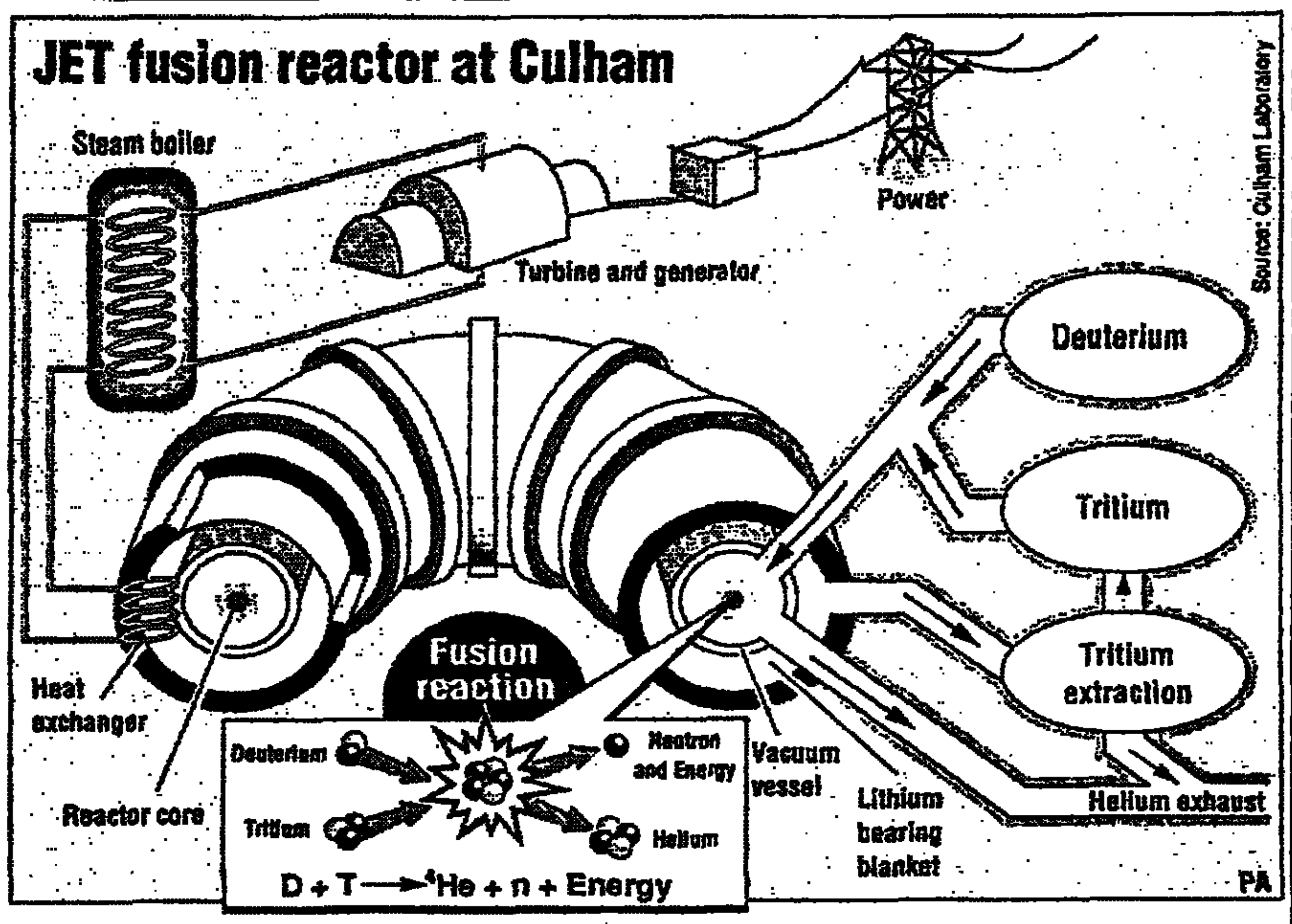
Future relationship

The summit did not solve the problem of the future relationship between Nato and the new European defence identity. That decision will have to wait until the 12 EC members have defined more precisely what form that should take – preferably before or at their Maastricht summit next month. But the Rome meeting was nevertheless useful in laying down the parameters within which it is feasible for the Europeans to work out their defence co-operation.

Mr Bush's warning to his European partners that they must clarify their attitude to Nato is a timely reminder that there are limits beyond which they cannot go without provoking a US disengagement from Europe. That is certainly not the US Administration's present intention, as Mr Bush made clear. But Congressional and public pressure to leave Europe to its own devices would certainly grow if the Twelve adopt too independent a stance.

Mr Bush's admonition should therefore have strengthened the hands of those who, like Britain and Italy, want the new European defence identity to retain strong ties with Nato, and who do not want it to be "subordinated" to the EC's institutions.

Quite what links should be established between the the EC and nine-nation Western European Union, the embodiment of the new European defence identity with Nato, will be the subject of tough negotiations in the weeks to come. But a compromise in Maastricht has at least been facilitated by the re-statement of the principles which have governed western defence and US involvement in Europe over the past 42 years.



Clive Cookson on the importance of a successful fusion experiment

The Promethean quest

This weekend in Oxfordshire a doughnut-shaped ring of superheated gas reached a temperature of 200m deg C – 10 times higher than the sun's centre – and briefly produced 2MW of energy.

Saturday evening's experiment at the Joint European Torus (JET) in Culham was the first large-scale demonstration on Earth of nuclear fusion, the reaction that powers the sun and is held out by scientists as the brightest prospect for giving mankind a clean and limitless source of energy in the 21st century.

There have been several highly publicised "breakthroughs" in fusion research over the past 35 years, the most recent the 1989 claim of Professors Martin Fleischmann and Stanley Pons to have carried out "cold fusion" in a test tube at the University of Utah caused a scientific furore which has only just died down. The Fleischmann-Pons work has been largely discredited, though a small band of scientists still believes in it.

Aware that the Fleischmann-Pons saga is still alive in many people's minds, Mr John Maple, JET spokesman, said yesterday: "This is not a cold fusion story, this is real fusion. There is no doubt whatsoever that it is genuine. We have about 40 different diagnostic systems and cross-checks."

In contrast to the small benchtop apparatus of cold fusion, hot fusion is science on a grand scale. JET is a "torus" – an enclosed chamber as high as three double-decker buses and weighing 3,500 tonnes. Two hundred scientists were there on Saturday evening to witness the historic experiment from two horse-shoe-shaped control rooms and then celebrate its success with champagne. The project has cost 14 European nations about £1bn to build and run over the last decade. Its budget of £75m a year is under pressure, though this weekend's triumphant announcement may persuade the EC, the project's main funding agency, to relax the financial constraints.

Nuclear fusion powers not only the sun but also, as a runaway explosion, the hydrogen bomb. The process forces atomic nuclei together, releasing energy in the form of heat and radiation. Fusion is the opposite of fission, the basis of nuclear power today, which releases energy by splitting heavy atoms.

The theoretical advantages of controlled fusion are that its raw materials are available in virtually inexhaustible amounts; it produces far less radioactive waste than fission; and it is inherently safe because, unlike fission, the reaction stops as soon as anything goes wrong with the reactor.

Unfortunately, formidable technical obstacles must be overcome before the dream of fusion power can be brought to commercial reality.

The reaction cannot start until the fuel is superheated to become an electrically-charged gas, or plasma. The reaction stops as soon as the plasma touches the sides of the reactor vessel, because it then becomes too cool to sustain fusion.

JET confines the plasma inside a "magnetic bottle". Powerful electromagnets, looping around the torus, keep the superheated gas away from the sides for as long as possible.

Until the weekend JET had used deuterium as fuel. Deuterium, a non-radioactive isotope of hydrogen, was relatively easy for JET technicians to handle as they juggled with the reactor and its magnets.

But deuterium is not the ideal fusion fuel. On Saturday the JET team replaced 14 per cent of the deuterium with tritium, a radioactive isotope of hydrogen which will be used in commercial fusion reactors. This changed the energy balance radically. Deuterium and tritium fused together, forming helium and throwing off neutrons with large amounts of energy. Although the experiment used only 0.2 grammes of tritium, it released the energy equivalent of 2,000 electric heaters over about a second. Calculations show that a commercial fusion reactor could provide enough electricity to meet a lifetime's needs for the average inhabitant of an industrialised country, from just 10 grammes of deuterium and 15 grammes of tritium.

But that prospect still lies far in the future. Even JET optimists concede that commercial fusion power is unlikely before 2040.

A more immediate concern of Dr Paul-Henri Rebut, JET director, is to secure enough EC funds to complete his scheduled experiments. The plan is to add more tritium, so that the reactor runs on full power with a 50:50 mixture of deuterium and tritium by 1996.

At the same time fusion physicists worldwide are planning an ambitious international project to follow JET and its US, Japanese and Soviet equivalents. The International Thermonuclear Experimental Reactor (ITER) would cost several billion dollars. If the partners can agree on the technical aims and the financial and industrial terms, design work could start next year, with construction from 1997-98 and operation from 2004-05.

If ITER goes ahead, there will be intense competition to host the project – even more intense than the Euro-squabble in the 1970s over the siting of JET, which the UK eventually won. JET is the UK's only significant international laboratory, and British scientists will be arguing that its successor should also be built at Culham.

Whatever happens next, Dr Rebut says the latest JET experiment shows that Europe leads the world in fusion research. "This demonstration fully confirms that, with the additional information from the planned JET programme up to 1996, we will be able to design the experimental fusion reactor capable of generating more than 1,000MW of power."

A commercial fusion reactor will have a blanket of lithium metal around the torus. This will slow down the neutrons thrown off by the reaction and convert their energy to heat. Steam can then be raised in a boiler and used to drive a conventional electrical generator.

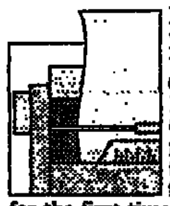
Even if ITER operates successfully, at least one further stage – a commercial demonstration reactor – will be needed before utilities can contemplate constructing fusion power plants. By then more than $100bn will have been spent developing fusion energy.

Not without reason, fusion has acquired the reputation of being an exceedingly expensive mirage which is always receding as scientists try to approach it. This weekend's news from JET is a small step on a very long road toward reality.

PERSONAL VIEW

Time for a Euro-MMC

By Gordon Borrie



More than a year after it was introduced, the European Community's merger regulation was finally used for the first time last month to block a proposed bid on the grounds that it was "incompatible with the common market".

The bid in question was by Aerospatiale and Alenia, the French and Italian state-owned aircraft manufacturers, for de Havilland, the Canadian subsidiary of Boeing.

Given the force with which Sir Leon Brittan, the Competition Commissioner, has argued for an effective merger control policy in the run-up to the single internal market in 1993, it is surprising that the Commission had not prohibited any of the previous 50-odd mergers that the EC Mergers Task Force had examined.

One or two of those earlier cases did seem to raise more questions about competition than conceded by the Task Force. (Notable was the Varta/Bosch merger, where high market shares were created in the German and Spanish markets for replacement batteries.)

The Commission's decision on Aerospatiale-Alenia served as a reassurance that the regulation is indeed a credible instrument for preventing mergers which would greatly reduce competition within the EC. The acquisition of de Havilland would have given the merging companies 67 per cent of the EC market for the 20-70 seater commuter aircraft (and 50 per cent of the world market).

However, it was disturbing to learn that Sir Leon's decision had been opposed by several of his fellow Commissioners. Equally worrying were the French and Italian ministers' outbursts against the Commission's majority decision and the report that Mr Martin Bangemann, the Industry Commissioner, would be seeking to limit Sir Leon's power to conduct merger investigations on behalf of the Commission up to the point of final decision.

A minority of Commissioners seems to have favoured the Aerospatiale-Alenia/de Havilland merger on the grounds that a "Euro-champion" was needed so as to compete effectively on the international market. But the clear wording of the EC regulation requires the Commission to prohibit anti-competitive mergers. It is therefore a matter of concern if even some commissioners are willing to jettison the provisions of the regulation in order to pursue other objectives.

The European Parliament acknowledged that Sir Leon's view was in accordance with the regulation. However, it has called for the regulation to be revised to take account of industrial, social, regional and environmental policy interests.

The regulation was in gestation for 17 years and most drafts submitted by the Commission had some provisions for weighing the benefits of a merger against the anti-competitive effects. In the end, the member states decided unanimously that the sole test to be applied should be the effect of a merger on competition – a test which can be applied reasonably objectively. The member states also decided that the Commission should not be empowered to authorise an anti-competitive merger on the grounds that European companies should be bigger so as to compete successfully in world markets.

In the light of the arguments that have arisen from the Aerospatiale-Alenia/de Havilland case, it is difficult to imagine that member states will now be prepared to grant the Commission such powers.

At present the regulation gives exclusive jurisdiction to the Commission over only the largest transnational mergers. Certain thresholds are specified, in particular that the aggregate worldwide turnover of the merged companies should exceed Ecu 5bn (about £3bn). The thresholds are to be reviewed before the end of 1993 and the Commission is already calling for a reduction.

The present level is the result of a compromise and, until the Commission demonstrates that it can effectively and routinely apply the competition test, there will be doubts as to whether its jurisdiction should be enlarged.

The idea of an independent European competition authority has been floated in the past. Mr David Williamson, secretary-general of the European Commission, spoke recently about devolving the Commission's functions to agencies.

Perhaps now is the time to reconsider whether a 'European Competition Agency' would be better able than the Commission itself to apply competition principles to mergers. Politicians should be excluded from sitting on such an agency. Instead, membership of the agency could be a similar mix to that of the UK Monopolies and Mergers Commission – administrators, businessmen, lawyers, economists and so on.

The example of the German *Bundeskartellamt* (Federal Cartel Office) could then be followed. The *Bundeskartellamt* makes its decisions purely on competition grounds. These can be overruled by a minister on the grounds of public interest. In practice this is seldom done, and if it is, it has to be publicly explained. The EC Council of Ministers could usefully consider such a role for itself.

The author is director-general of the UK Office of Fair Trading

OBSERVER

Solace for the swan

■ The right name for her is clearly Sarah. Observer refers of course to the widowed swan of Lyme Regis who, after five years of lonely paddling and padding around the little Dorset harbour, has suddenly taken up with a Canada goose.

The happiness of the unlikely pair is already a legend locally where, after her mate died in power cables, she was likened to John Fowles's The French Lieutenant's Woman waiting forlornly for her lover to return from sea.

Fowles agrees the swan should be called after his heroine, Sarah Woodruff. "I meant her to be swan-like and beautiful in the book". But he can't think of a name for the goose. So with the permission of Lyme's mayor Owen Lovell, Observer invites suggestions.

As to how the romance will end, no clue is given by Fowles's novel which offered a choice of endings: happy or sad. But nearby Abbotsbury Swannery suspects it knows.

"It's perfectly OK for her to pal up with a goose," said a spokesman. "She belongs to the Queen and, as a royal bird, can do what she wants. "There's unlikely to be offspring, though. We had a pink flamingo here that went with a female swan, and nothing came of that."

Nor are the other long-term omens good either, it appears. For eight years the flamingo stayed at Abbotsbury all year round, then in 1989 took to flying away in the spring and returning for winter. This year, alas, it has not come back.

Downcast

■ High places, and friends therein, are evidently not all they're cracked up to be – as witness the European Bank for Reconstruction and Development's decision to set up its headquarters in the City of London's Broadgate.

The choice was a particular blow for Toronto's Reichmann brothers. Their Olympia & York company, developer of Canary Wharf in the London Docklands, had been canvassing the top of its 800ft tower there as the right home for Jacques Attali's bank.

But it seems that not even lobbying by Canada's prime minister Brian Mulroney, who put in a telephone call to his UK counterpart John Major, could get EBRD to take roost in the spectacular but isolated tower. "We were promoting it quite vigorously," says a Canadian diplomat. "But not being too naked about it."

Olympia & York's disappointment will be all the sharper for the fact that it lost out to the Rosehaugh and Stanhope companies, which jointly own of the bank's Broadgate choice.

Not only are the two fierce rivals for tenants, but they have lost O&Y a fortune. It bought 8 per cent of Rosehaugh and 33 of Stanhope at a total cost of £166m before the property market crashed. Its investment in the pair is now worth a princely £22m.

Cannot can

■ Still greater penetration is achieved by Castrol GTX motor oil today when Burmah Castrol officials inaugurate its production in Volgograd. Burmah Castrol has provided consulting services for the central plant for Russia, where the product will be marketed under the Castrol name.

The trouble is that it can't be canned. Although the producers would like to sell it in sleek tins with eye-catching logos, there is no local source of supply.

So the plant has opted for 2¼-litre bottles made of reinforced plastic, normally used for packaging tomato sauce. The Castrol logo will be printed on a cardboard sleeve in Germany, and shipped in.

A further sales problem is that, while the brand name is known in the Soviet Union, the oil does not come cheap there. A litre is priced at 42 roubles, whereas the local product retails at 1 rouble flat.

Still, the plastic container may well prove a marketing aid. It can always be washed out when the oil is done and used to store tomato sauce.

Sad look back

■ The summons of receivers to Turriff Corporation brought only sadness to 75-year-old Charles Turriff, who founded the construction group near half a century ago. But his family still feel aggrieved by the way he was treated when institutional investors had him resign as chairman in 1987.

The whole family promptly sold its 18 per cent stake in the group, and has since set up the privately owned BHE plant-hire and property-development company.

"We want our customers to know that we are trading profitably and have no connection with Turriff Corporation," says Charles's son Simon Turriff, who runs BHE as managing director with occasional advice from his dad.

"When he resigned," the chip off the old block adds, "Turriff had £8m cash in the bank. Now, four years later, it has over £14m of debts."

Rustic retreat

■ Jaded fans of P G Wodehouse at last have a chance to emulate the Master's rustic peer Lord Emsworth and retreat from the world's troubles into the pages of Whiffle's *The Care Of The Pig.*

The aptly named James Hogg, a TV journalist with Newsnight, claims to have found the Ninth Earl of Emsworth's personal copy of the 756-page original, and digested it down to a mere 128 for publication by Michael Joseph. The cover sports a picture of a noble Berkshire sow which could well be Emsworth's Empress of Blandings herself.

Handicap

■ "I can still hit the ball well," the wizened old man told the golf-club pro after paying to play a round on his own. "But I'm short-sighted, so I'll need a caddy to spot where my long shots land. We can ride round in my buggy."

The pro pressed a bell, and out came a man even older than the player himself. "I know he's getting on a bit," the pro explained, "but he's the only caddy free, and his eyes are as keen as mustard."

On the first tee, the player said "Tell me how this goes", and hit a cracking drive. "Wonderful," came the reply, "over 200 yards and straight until it faded into the rough."

"Where did it land?", asked the player.

"Sorry, I've forgotten," the caddy said.

PERSONAL VIEW

Time for a Euro-MMC

By Gordon Borrie

Haunted by the ghosts of the past

Action against former communist collaborators in eastern Europe is gathering pace, say Judy Dempsey, Nicholas Denton and Ariane Genillard

Two years ago this month, a remarkable revolution swept through eastern Europe: the communist regimes were toppled from power. The dark era of compromise, collaboration and fear appeared to have come to an end.

But has it? Over the past few months, the climate of suspicion has resurfaced in the region. In several east European countries, people are now being asked by the post-communist authorities: "What did you do when the communists were in power?" And some of these governments are introducing laws which may lead to action against thousands of alleged collaborators with the former socialist regimes.

In Czechoslovakia, the parliament is seeking to bring former communist officials and alleged collaborators to book and to purge them from the civil service. In Hungary, there are plans to put on trial those who were actively involved in crushing the 1956 anti-communist uprising. In what used to be East Germany, thousands of former communist officials have been sacked in part out of retribution for the state repression of the past. Even in those countries which have not taken any action against former communist officials – Poland, Bulgaria, and Romania – there is mounting public pressure for revenge.

In part this is understandable among people who have for 40 years lived in the shadow of the secret police. But the quest for retribution is being exacerbated by economic and social problems. Many communist enterprise managers, particularly in Czechoslovakia, Romania and Bulgaria, are preventing economic reforms from taking place.

There are political consideration as well. "Governments may use the desire for retribution in order to discredit the left-wing forces who are taking advantage of the economic crisis facing all these countries," a Polish diplomat says.

The process is furthest advanced in Czechoslovakia. Last week the federal parliament in Prague passed legislation which will allow files held by the once-feared secret police to be opened. The law, called "lustrace", from the Latin for sacrificial purification, is aimed at purging the entire public sector of all former collaborators and senior officials of the old communist party.

Under this legislation, heads of state organisations, which include managers of state-owned companies, former local communist party secretaries, and high-ranking military officials, must within 30 days request certificates from the interior ministry showing whether they or their employees were ever on secret police files as collaborators or potential collaborators. If so, they will have 15 days to leave their posts and will be prevented from holding public office for a period of five years. They do have the right of appeal to a government commission.

Supporters of the law include right-wing deputies grouped around Mr Vaclav Klaus, the federal finance minister. They say a strong democracy cannot be built until state organisations are purged of those who participated in four decades of repression. "We cannot afford to have these people influence public opinion," says Mr Pavel Zahradka, a federal MP, and one of the architects of the law. He reckons that some 140,000 people are listed in the files of the former secret police, of which about 30 per cent were active collaborators.

"This law will allow us to remove people who block the reforms at all levels of the administration," explained Mr Jan Langos, the federal interior minister, and a former dissident. It may also aggravate tensions between the Czech and Slovak republics, since many Slovak politicians would be affected by the law.

The law's opponents are loosely grouped around President Vaclav Havel. They include many former dissidents who belong to the left of centre Civic Democratic Movement, and others who belong to the liberal Civic Democratic Alliance. They say that the proposed screening process is unreliable, because the files were compiled by agents of the secret police, and that the law does not contain safeguards against false accusations.

"The law assumes guilt before innocence is proved," says a Czech journalist.

Where Czechoslovakia is leading, Hungary is not far behind. In Budapest, parliament last week adopted a law against former communists. This will allow prosecution for hitherto unpunished crimes such as murder, grievous bodily harm and treason that were committed in the name of communism. The statute of limitations which forbids prosecutions long after the event has been revoked. Parliament has also passed an amendment to the criminal law allowing communist officials to be treated as war criminals. The legislation is targeted particularly at those who were involved in suppressing Hungary's 1956 uprising.

"There are certain crimes that cannot expire," says Mr Jozsef Antall, the prime minister and head of the ruling Hungarian Democratic Forum.

As in neighbouring Czechoslovakia, there are many opponents to the legislation, including Mr Arpad Goncz, the president, himself a former dissident. They have argued that the wrong people will be punished. "It will lead to confusion and it will not punish those who are really responsible: the highest echelons," says Mr Miklos Vasarhely, a member of the opposition Free Democrats, and the press secretary for the revolutionary government during the 1956 uprising.

However, the right wing's demands for retribution go further: some MPs want a purge, not only of secret agents, but also of communist and liberal sympathisers at all levels in the media. In an internal memo to a Forum meeting last September, Mr Imre Konya, the party's parliamentary leader, called for "decisive action" against the media, which he regards as working against the governing party. He said that the government had convinced the world that it was tolerant and could now afford to combat the domination of the media by its opponents.

The government is also under pressure from right wing Forum deputies to introduce a bill aimed at purging former agents of the internal security department of the secret police. Senior officials in the judiciary and the media would be vetted; those with links to the secret police would be exposed if they did not resign.

Other east European countries have so far been spared any legislative witch hunts, but pressure may grow:

● The Polish authorities have turned a blind eye to the activities of former communists, many of whom have now exchanged the red communist card for the capitalist cheque book. "We cannot purge the entire bureaucracy or enterprises. The economic reforms will dismantle this entire communist apparatus once and for all," a Polish journalist says.

● In Bulgaria, the quest for retributive justice has been rather muted. Thousands of former secret police were dismissed last year and the authorities have placed Mr Todor Zhivkov, the former party leader and president, on trial. But so far, no attempts have been made to broaden the trials to include former prominent communist party members. "We do not want a witch-hunt. We do not want to deepen the wounds in our society," says Mr Dimitar Popov, the former, and politically independent prime minister.

● In Romania, which suffered under what was probably *the* most corrupt and repressive communist regime in eastern Europe, the authorities have resisted opposition pressure to purge enterprises, the bureaucracy, and even the media of former prominent party officials and Securitate (secret police) agents. The irony, some would argue, is that it is here that action against the old guard is actually needed.

A report issued last week by the Jubilee Campaign, the British parliamentary human rights group, showed how those psychiatrists who imprisoned Romanian dissidents in psychiatric hospitals "still hold high positions in the medical institutes in Romania".

It is too early to say if all the countries of eastern Europe will take a leaf from Czechoslovakia's book. The temptation is certainly there. "The search for justice and the need to start from a clean sheet is understandable," says one Bulgarian diplomat. "I do not know what is the answer. Those who are now seeking revenge for the past are in danger of setting themselves up as moral ideologists. Yet those who are not prepared to address the past at all will make the road to democracy harder."

Samuel Brittan

Half a U-turn on fiscal policy

A former editor of the Financial Times had a habit of responding to any over-elaborate attempt to explain away economic events by saying: "Seasonally adjusted, the Great Lakes don't freeze." Cyclically adjusted, public spending is not increasing as a proportion of gross domestic product, but in terms of actual numbers it is. Cyclically adjusted, the budget may be balanced, but the published numbers show rising deficits.

There is no point in being excessively fuddy-duddy. Budgets always do move into deficit in recession because tax revenues fall and social security expenditures are geared to unemployment levels. Nor is it difficult to explain why the deficit should be higher in 1992-93, when the Treasury expects a resumption of normal growth than in the current recession year. The budget balance reflects the economic cycle with a lag.

The more serious question is how to allow for the economic cycle. The danger is that an excessive budget deficit, originally due to recession, becomes built into the public finances. One difficulty about saying whether this has happened is that the Autumn Statement says little about revenue.

The little noticed feature is the addition made to public expenditure in later years. In the next financial year, the £11bn increase in programmes over those previously planned has been reduced to a £4bn increase in General Government Expenditure by a mixture of boosted privatisation estimates, legitimate drawing on the Contingency Reserve as the year in question approaches and other adjustments. But in 1993-94 and 1994-95, General Government Expenditure is to be boosted by £10¼bn and £12bn respectively. It is wrong to dismiss plans for distant years as pie in the sky. For they form the basis on which spending departments will submit bids for further increases as the year in question approaches.

Taking these future plans and Treasury projections for Nominal GDP (i.e., growth plus inflation) it is possible to make a rough estimate of the implications for the Public Sector Borrowing Requirement. According to Goldman Sachs, this will rise from £10¼bn this year to £19bn in 1992-93, £19½bn in 1993-94 and decline in 1994-95 only to £13½bn. If we add back privatisation receipts and allow only a modest amount for a revenue shortfall, the 1992-93 total could approach £30bn or 4½ per cent of GDP – well above the 3 per cent limit stipulated by the Draft Treaty on Emu. That Treaty does not exclude privatisation proceeds. But they will dry up under Labour and be for ever under the Tories.

The Treasury is staying silent on revenue and borrowing. But it has made an estimate of what would have happened to the ratio of public spending to GDP (excluding privatisation proceeds) if there had been normal economic growth in the present fiscal year instead of the recession we have actually had. On that basis, a public spending ratio would have remained stable at around 40 to 40½ per cent from 1990-91 to 1994-95.

President Bush could manoeuvre more easily had he started from balance before the recession

The interesting aspect of this estimate is the radicalism of the business cycle correction. It starts from the reasonable assumption that some 4¼ to 5 percentage points have been lost from GDP this year because output has fallen instead growing at its normal rate. The Treasury assumes that only a little of this shortfall would have been made up by 1994-95, as the economy will be growing at only slightly above trend rates in the intervening years. This is rather like the Peter Jay definition of a recession as any year which the economy is operating below its normal capacity rate (taking 1990-91 as normal).

This is quite a sharp contrast to the Thatcher-Howe-Lawson regime. Let us leave aside the famous or notorious 1981 budget, which in defiance of a protest letter from 364 economists, raised taxes in the aftermath of the recession. This could be justified as a once-and-for-all effort to reduce the PSBR, whose underlying level was too high (it reached 5¼ per cent of GDP in the recession year of 1980-81). Mrs Thatcher herself preferred repaying the national debt to incurring deficits. But leaving aside her personal whims, the rule of thumb under her government was to allow a shift into deficit during a recession and a shift into surplus in a boom. but then to move back fairly smartly towards balance in either case. A hypothetical deficit based on a hypothetical level of normal capacity operation was alien to its thinking.

Who is right? Great damage is done to the cause of balanced budgets by those who have made alarmist predictions about the consequences of, for instance, US budget deficits, when these consequences have failed to materialise. But there is no doubt that President Bush would have more room for manoeuvre in both domestic and international policy if he had started from a position of balance before the recent recession. And governments all over the world would be better placed to fight a real depression (and not just politically disappointing growth prospects) with fiscal policy if they did not have so much red ink in their budgets to start with.

The specific case of the UK there has also been a half U-turn in more widely understandable public spending terms. For even if one accepts unreservedly all the Treasury's corrections and adjustments, the picture is one of a nearly static public spending ratio as far ahead as it cares to project. The goal of a falling public spending ratio (and of a falling tax burden) has been put into cold storage. Labour could not go much further in adding to public spending plans without risking its hard-won reputation for greater financial responsibility than it used to enjoy.

LETTERS

No lack of scrutiny of Commission proposals

From Lord Aldington.

Sir, On my way back from a conference of European Affairs Committees of the parliaments of the 12 member states, I read in Joe Rogaly's column, "A Tory vacuum," (November 5), the following, in relation to "big decisions taken by councils of ministers" of the community: "There is no genuine scrutiny at Westminster or anywhere else."

May I protest at this terminological inexactitude which appeared to form a big part of the premise of his argument.

The House of Lords' European Communities Select Committee has issued a frightening number of reports in recent years; 29 last year and 17 this year so far, all on important enquiries by sub-committees of one of which I am chairman, with written and oral evidence, sometimes from ministers, sometimes from commissioners, and with expert advisers who help to focus the enquiry. In addition, there is a scrutiny process covering all proposals issued by the Commission and other institutions of the community. With each of these proposals the committee will also see a lucid explanatory memorandum signed by a UK minister. Debates follow. Government replies to the Lords' reports are given and made public, where there is no debate. Ministers do not normally take decisions at the council until the scrutiny process has what is called "lifted the parliamentary reserve". The House of Commons has a different but effective procedure, recently reinforced by new committees of MPs.

These procedures go to the root of ministerial accountability for their decisions in the council. They exemplify the attitude of British ministers to their parliament. Similar procedures have been practised over recent years by some, but not all, of our partners in the community, which may help to explain why there is a difference of response by governments and parliaments in the community to the proposal that the European parliament should have equal status with the council in legislation, a proposal which neither the British government nor the House of Lords thinks is right, although we are firm supporters of the increase in that parliament's powers in relation to the commission.

I am sad that you chose Guy Fawkes Day to misinform your readers about the role of our Houses of Parliament. I have often admired the support you have given to select committee reports on other occasions.

Aldington,
House of Lords,
Westminster,
London SW1A 0PW

Key still sought to make Common Agricultural Policy environmentally sensitive

From Ms Barbara S Young.

The Autumn Statement's provisions on agriculture spending provide some good news for nature conservation and some evidence that, domestically, the environmental responsibilities of farming are understood in Whitehall. But they must be seen within the wider context of Common Agricultural Policy reform.

The sustained commitment of Mr John Gummer, the agriculture minister, to developing and expanding the environmentally sensitive areas (ESAs) scheme is particularly pleasing, and means that more farmers will be encouraged to protect and manage wildlife. By increasing the budget for English ESAs to more than £50m by 1994-95, the Ministry of Agriculture has clearly indicated that it means business, and that the scheme has a long-term future, as does the commitment to encouraging farmers to plant trees on lowland farm land.

A more cautious note is needed on the increased funding for flood defence in Lincolnshire, which needs to be part of a strategic coastal plan for the area, with a full assessment of the environmental impacts of the opportunity for "controlled retreat" from existing defences to create new wildlife habitats.

Overall, the announcement represents a good example of the UK leading efforts to reform the CAP, but the money allocated to environment schemes has to be set against the continued spending on payments to farmers for farming. The statement optimistically predicts reductions in payments, but in all likelihood Mr MacSharry's proposals for CAP reform will actually cost more. The key is to find ways of making the future CAP environmentally sensitive.

Barbara S Young,
chief executive,
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The Lodge,
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Myth should not be perpetuated

From Mr John F Sandner.

Sir, Barbara Durr's review of the book "Brokers, Bagmen and Moles" (November 7) is as lacking in essential facts as the book itself.

The reviewer, as well as the authors, continue to perpetuate the myth of the Chicago FBI investigation as a major scandal. In fact, less than half of 1 per cent of the members of the Chicago exchanges have been convicted or have pleaded to any wrong-doing. We, of course, do not condone wrong-doing and we vigorously prosecute wrong-doers. But the reviewer fails to appreciate this and instead dwells on isolated incidents that are easy to sensationalise.

Similarly, the reviewer fails to give credit to the Chicago exchanges for their vigorous efforts to create a system of audit trails and compliance that will make it virtually impossible for any wrongdoing to occur.

No other industry can match our record for integrity and no other industry is held to as high a standard by government and the media. Fortunately, our customers recognise this and continue to make our risk management services the biggest growth industry in the world today.

We would ask that your journalists maintain the same standard of excellence and not fall into the trap of sensationalism, inaccuracy and irresponsibility that is exemplified in this book.

John F Sandner,
chairman,
Chicago Mercantile Exchange

EC intervention in collective bargaining should be limited

From Mr Zygment Tyszkiewicz.

Sir, In David Goodhart's story, "CBI to back EC bargaining directives" (November 5), there are a number of misleading and damaging statements.

The joint message from UNICE and ETUC to the intergovernmental conference is strictly limited in its scope. It recommends that the amended treaty should:

● require the Commission to consult the social partners before taking any initiatives in the social field;

● allow the social partners, if they so desire, to deal with certain issues by agreement (as a substitute for legislation);

● permit any such agreements at the EC level to be realised either according to national law and practice or (only at the joint request of the signatories) by decision of the council, acting according to its normal voting procedures (mainly by unanimity, in the present treaty).

Contrary to the impression given by your story there is no support for a "side extension of collective bargaining over social and employment directives". On the contrary, UNICE wants to put strict limits on the scope for EC-level intervention in this area, whether by law or by agreement.

Second, there is no question of the joint message supporting an extension of qualified majority voting in social matters. In fact, in the covering letter to Prime Minister Lubbers, the social partners point out that their discussions concerned only their role at the EC level, and did not cover any aspects of the treaty.

It is important, in the highly-charged climate pre-Maastricht, that the agreement between the social partners should be correctly understood.

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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Monday November 11 1991

Study shows workers' pay matches their output in continent's four largest economies

European unit labour costs converge

By Edward Balls in London

GERMAN factory workers are paid no more than their British counterparts, when relative productivity is taken into account, according to a Financial Times study published today.

Unit wage costs in France and Italy are also almost the same. For every DM 1 of output in the four largest European economies in 1990, only 4 pfennigs separated the highest and lowest cost producers, at current exchange rates. In 1985, the spread was 13 pfennigs.

UK manufacturing is increasingly concentrated in low wage, low productivity activities. British unit labour costs are almost identical to those in Germany because British workers, paid on average 64 per cent of German counterparts, produce 65 per cent as much.

Italy had a higher unit labour cost in 1990 than the UK or Germany while France had the lowest. But the variation was small compared to five years previously.

The convergence of unit labour costs in the four countries means there is no direct financial incentive to locate manufacturing either in lower wage countries like Britain or in high productivity countries like Germany.

It also suggests that existing manufacturing exporters in both the UK and Italy are competitive at their current exchange rates within the European exchange rate mechanism. Higher unit labour costs in manufacturing are one indication that a country's exchange rate is over-valued.

Such measures of competitiveness are central to the debate about how the economies of ERM member countries must converge before signing up for the proposed European single currency.

Attention has focused on the high growth rate of unit labour costs, in domestic currencies, in Italy and the the UK in recent years. In fact, both countries improved their competitive position against Germany in 1985-1990 because of the appreciation of the D-Mark.

With ERM realignments apparently ruled out in the run-up to a single currency, however, higher relative growth of domestic unit labour costs will begin to hurt.

Level playing field, Page 6

Historic shot: South Africa returned to world cricket yesterday after being shunned over apartheid for 21 years. The tourists lost by three wickets to India in a one day limited overs game in Calcutta before a raucous crowd of 100,000. Captain Clive Rice watches wicket-keeper Dave Richardson miss a chance to stump India's Manoj Prabhakar

Army steps up assault on Croatia

By Laura Silber in Belgrade and **Ronald van de Krol** in The Hague

YUGOSLAVIA'S federal army yesterday stepped up its air, sea and land assault on Croatia after the Serbian-controlled state presidency appealed to the United Nations to send peacekeeping troops.

In a letter sent to the United Nations Security Council, the rump presidency which consists of Serbia and its three allies, said: "The civil war in Croatia . . . threatens to spread to a wider area of Yugoslavia."

Earlier, President George Bush said the US would impose trade sanctions against Yugoslavia similar to those agreed by the European Community last week.

During a visit to the Netherlands at the weekend, Mr Bush also said the US would work with the EC at the UN to seek an oil embargo against Yugoslavia.

In Yugoslavia, the state presidency, which is also the country's collective leadership, but which is no longer recognised by the EC after four of the six republics boycotted it, said: "UN peacekeeping forces would create a buffer zone and separate warring parties, until the Yugoslav crisis is resolved in a peaceful, just and legal manner and with UN engagement."

But leaders in the breakaway republic of Croatia yesterday denounced the state presidency's request to deploy UN peacekeeping troops around Serb-populated regions in Croatia.

They accused Serbia of calling for peace-keeping troops to ensure the creation of a Greater Serbia. Croatia says peacekeeping forces should be deployed along the legal borders between republics and not on the current front lines.

The request by the presidency appeared to reflect fears among Serbia's ruling socialists and the army that a UN-imposed oil embargo could follow EC sanctions.

This would affect the ability by the federal army – already accused by Serb officials for waging a disastrous campaign – to fight on yet another front if violence erupts in the central republic of Bosnia-Hercegovina.

A referendum on whether to remain a part of Yugoslavia held at the weekend by Bosnia's Serbs, who make up about 31 per cent of the republic's population of 4.3m, is likely to exacerbate already heightened tensions among the mixed population of Slavic Moslems, Serbs and Croats.

The result of the referendum will be a resounding "yes" vote by the Serbs who have already proclaimed autonomous regions in Bosnia. After the Moslems, they are the second largest ethnic group.

Meanwhile in Croatia, Croatian radio said at least two people were killed and 20 wounded in the bombardment of Dubrovnik from naval gunboats which began yesterday at dawn. It said a British journalist and a member of the EC monitoring team were among the wounded.

Mitterrand seeks wide reforms to constitution

By William Dawkins in Paris

FRENCH president Mr François Mitterrand said last night that he is soon to propose wide-ranging constitutional reforms, in what will be seen as an attempt to improve the ruling Socialist party's sliding fortunes.

The proposals, which could take effect next year, will include shortening the seven-year presidential mandate – possibly to five years – giving more power to the parliament and introducing an element of proportional representation in time for the next parliamentary election in 1993.

Mr Mitterrand told a television interviewer that details would be placed before the French people in time for a parliamentary debate and public referendum some time after next March's regional elections and before the end of 1992 – the deadline for the arrival of the single European market.

He hinted that he might give up the presidency before his term expires in 1995, but said that "politically, morally, I am the sole judge of what I should do".

Mr Mitterrand, 75, who is near the middle of his second presidential term, due to end in 1995, admitted that 14 years was a long time.

He pointed out that he had voted against the current French constitution, in the fifth republic established under General de Gaulle in 1958, and had long wanted to reform its institutions. Parliament was being "suffocated" and should be given greater initiative, he said.

The minority government has had to make frequent use of a guillotine procedure, allowing it to force through legislation without a vote.

The announcement follows a growing debate on constitutional reform within the Socialist party, which has been seeking a way of restoring its popularity, damaged by stubbornly high unemployment and a wave of labour disputes.

Mr Pierre Mauroy, the Socialist party leader, has in particular been a strong proponent of an element of proportional representation.

One consequence of introducing some proportional representation to the constituency majority voting system used in French legislative elections would be to boost the parliamentary power of successful small parties such as the Greens and the far-right National Front.

Hubris and Nemesis, then and now

TWO seemingly unconnected events of last week have conspired to throw my memory back to Oxford, where I was a local reporter more than 30 years ago. The death of Mr Robert Maxwell has inspired a lot of retrospection, but the announcement of a successful fusion experiment by the European JET research team at Culham none at all that I have seen, although almost exactly the same success was prematurely claimed by a British team at Culham all those years ago.

The accidents of the news diary led me to profile Maxwell when he was still a largely local celebrity, with his greatness and his disasters all in the future, and to write a great deal of nonsense about the British "triumph", which was shortly to ruin an already great reputation, that of the nuclear pioneer Sir John Cockroft; but they are connected not only by this accident. Both stories hinged on the importance in the scientific world of getting your discoveries published quickly.

The early story of Maxwell and Pergamon is worth telling because it shows that Maxwell's reputation had a solider foundation than many of the obituaries have allowed him: he had something like a genius for marketing. He found his opening in the scientific contacts which he made as a science publisher in Germany: his acquaintances, and especially the British, complained that it was taking longer to get their papers published in Nature, at that time the one international shop window they had to display their discoveries.

Since research was a growth industry, and becoming more and more internationally competitive, this could be disastrous. Reputations and careers are built on first publication, not first discovery, and this was Maxwell's chance. He established his first British journal on the simple promise that he would publish any significant paper within six weeks of receipt.

This produced such a flood of submissions that he soon made his second discovery: science is almost infinitely sub-divisible. Before long the Pergamon group was publishing well over 100 journals, enshrining hitherto unheard-of sciences and technologies. Science department libraries soon found their journal budgets growing exponentially, for Pergamon journals were required reading, but not cheap. There were large discounts, though, for personal subscriptions from anyone with suitable letters after his or her name.

By Anthony Harris

There was little sign at this stage that success might spoil Robert Maxwell. The public man was humble and engaging: at every scientific gathering you would find a Pergamon stand, manned by Maxwell himself, getting on to first name terms with more potential authors. Some of the ruthlessness was beginning to show at Headington Hill Hall, where Maxwell was exploiting his third discovery: all you needed to edit a Pergamon journal was an accurate proofreader. Third-rate graduates and university drop-outs came and went at great speed.

If financial markets are not markets in which risk can be sold into willing hands, what on earth are they for?

It was easy at that time, though, to believe in what turned out to be the first great Maxwell folly: the Pergamon encyclopaedia. With his contacts, how could he fail? Partly, as it turned out, for a reason he should have understood better than anyone: with a discovery rate fast enough to support 100 journals, such a compilation would be badly out of date before the ink was dry.

Potential readers understood this well enough. The encyclopaedia flopped, and later we met Maxwell the fantasist and Private Eye staple, selling mythical shiploads to such "emerging" markets as Indonesia – and possibly to the companies he was to use to pump family money into the Pergamon profits. This ruse led to his temporary downfall; but perhaps the energy and management efficiency which so soon brought him back to Pergamon proves that he was entitled to some hubris.

Sir John Cockroft, who shared some of Maxwell's energy, ruthlessness and ability to make enemies, was certainly a justifiably proud man, with great achievements already behind him, and longing only to crown them by taming the destructive force he had helped to discover.

His misreading of experimental results at the Culham torus crowned his career cruelly; yet 30-odd years later, his fundamental judgment seems to be confirmed: the JET torus is simply a development of the apparatus which produced false hope then.

Has Nemesis got a sense of humour after all? If she has, and works on the same time scale, cold fusion – a recent *ignis fatuus* which is already virtually forgotten – may be confirmed and working before they have made the JET torus into a working power station.

And now for new, improved, securitised Nemesis. It is easy to see why bankers, with apparent official support, object to the proposal from the Accounting Standard Board that they should include securitised mortgage loans in their balance sheets. After all, the whole point of securitisation is to sell risk exposure and get it off the balance sheet, and so to free bank capital to support new lending. And if financial markets are not markets in which risk can be sold into willing hands, what on earth are they for?

If you argue from recent history rather than from first principles, though, the accountants have a point. Securitisation proved in practice not so much a way to multiply lending (above any prudent limit, at that) as a way to multiply folly. Bankers who were able to sell on the risk of questionable lending in the securitised market seem to have become less and less aware of risk.

At any rate, I find this explanation – *what you might call* hubristic amnesia – more plausible than the bleats from bust lenders that nobody suspected that property prices could ever go down. Nobody in London over the age of 40 has any right to talk such nonsense. Those over 40, who suffered the 1973-4 property crash, who used the securitised market to pass their risks on to investors who were not involved in the earlier crash, are surely guilty of something worse than short memory.

A colossus at rest on Mount of Olives

By Hugh Carnegy in Jerusalem

ROBERT MAXWELL was buried at sunset yesterday in the dry, stony earth of Jerusalem's Mount of Olives, five days after his body was found in the waters of the Atlantic Ocean.

Reporters and cameramen, many from the tabloid newspapers he loved to own, threatened to upset the decorum of the occasion as they almost hounded the publisher to his grave. But in the end, the majestic setting overlooking the holy shrines of Jerusalem's Old City asserted an ancient dignity.

Five bearded rabbis carried Mr Maxwell's shrouded body on a litter and lowered it into the ground.

As Mrs Elisabeth Maxwell – a Christian – and her children listened to the final Jewish rites, the chants of muezzins calling Jerusalem's Moslem faithful to evening prayers drifted across the Kidron Valley.

It all seemed a very long way from the rumbustious life Mr Maxwell had led.

Israel's President Chaim Herzog, suggested as much in his eulogy at a convention centre where the funeral ceremonies began, when he called Mr Maxwell a "colossus".

Mr Herzog said: "He scaled the heights of human endeavour. Kings and princes waited on him. Many admired him. Many disliked him. But none was indifferent to him."

Mr Herzog pricked the eager ears of British reporters when he referred to Mr Maxwell's "significant involvement" in aiding Israel's security and economy. It was the kind of remark Israeli leaders routinely make about diaspora Jews who help the country. But perhaps the mention of security was significant given the recent allegations that Mr Maxwell was linked to Mossad, Israel's secret service.

Mr Yitzhak Shamir, the prime minister, led six cabinet ministers, including Mr Ariel Sharon, the housing minister with whom Mr Maxwell got on well. Among the mourners from Britain were Mr Gerald Kaufman, Labour's shadow foreign secretary, and Lord Coggan, the former Archbishop of Canterbury. Both wore a black Jewish kippa, or skullcap.

Troops in retreat from Chechen

Continued from Page 1

leave".

In Moscow, the Russian parliament yesterday met to debate the state of emergency in the republic. In a heated debate, deputies said Mr Yeltsin's decision had been taken without wide consultation and would aggravate the situation.

Mr Victor Barannikov, the Soviet interior minister, addressing the emergency session, said that Mr Mikhail Gorbachev, the Soviet president, had called on the situation to be brought under control "by political methods only".

He said the interior ministry troops had been sent to Grozny "only so that the situation would not be allowed to worsen further".

Mr Dergei Shakhrai, the state adviser to the Russian president, said that the decision to declare a state of emergency had been "well founded and juridically beyond reproach".

Meanwhile, an Aeroflot Tupoloev 154 airliner with 136 passengers hijacked from the southern Russian resort town of Mineralnye Vody by four Chechen activists and taken to Turkey was refuelled and returned to Grozny yesterday. The hijackers were arrested in Grozny.

US trade talks concession

Continued from Page 1

cent cut over five years or 35 per cent over six years were mentioned, either of which would probably be seriously considered by the EC.

Agreement on the size of the cuts depends on an understanding on the methods for implementing them. Mr Ray MacSharry, EC farm commissioner, said a "package" of measures still had to be put together.

EC and US farm negotiators will resume talks today in the hope of being able to report further progress when Mr MacSharry and Mr Edward Madigan, US agriculture secretary, meet at the conference of the Food and Agriculture Organisation in Rome tomorrow and on Wednesday.

The US joined the EC in stressing that it was vital to achieve a more effective and binding system for resolving trade disputes in the General Agreement on Tariffs and Trade that would reduce the dangers of retaliatory trade action. This is a significant indication that Washington may be ready to meet the EC's demand that it drop unilateral punitive action against countries it accuses of unfair trading.

Washington and Brussels said they were ready to show flexibility to bring the round to a successful conclusion by the end of the year. But the deadline of November 30, set by Mr Arthur Dunkel, Gatt director-general, for draft texts of agreements needs to be met if more than 100 countries are to have the time to work out the details of tariff concessions, commitments to liberalise trade in services and other deals in the seven sectors under negotiation.

WORLDWIDE WEATHER

Today: cloudy over the south with some spells of fairly heavy rain. In the evening there may be sleet or snow on high ground. Over Scotland and Northern Ireland there will be some showers, with most of them in northern and western areas. **Outlook:** cool and windy with rain spreading to most places from the north-west.

		°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Bordeaux	S	12	54	Dallas †	S	5	41
Algiers	S	20	68	Boulogne	F	9	48	Dublin	R	8	46
Amsterdam	S	8	46	Bristol	F	8	46	Dubrovnik		–	–
Athens	S	20	68	Brussels	S	7	45	Edinburgh	R	7	45
Bahrain	S	25	77	Buenos Aires		–	–	Faro	S	19	66
Barcelona	C	10	50	Budapest	F	7	45	Florence	S	12	54
Belfast	R	6	43	Cairo	F	24	75	Frankfurt	C	7	45
Belgrade	F	7	45	Cape Town	S	20	68	Geneva	S	6	43
Berlin	F	5	41	Cardiff	S	9	48	Gibraltar	C	17	63
Biarritz	F	11	52	Chicago †	S	-4	25	Glasgow	R	6	43
Birmingham	S	6	43	Cologne	C	7	45	Guernsey	C	10	50
Blackpool	R	6	43	Copenhagen	F	6	43	Helsinki	F	4	39
Bombay	S	31	88	Corfu	F	18	64	Hong Kong	F	24	75

		°C	°F			°C	°F			°C	°F
Innsbruck	R	5	41	Madeira	C	20	68	Nairobi	C	22	72
Inverness	F	7	45	Madrid	S	11	52	Naples	F	16	61
Isle of Man	R	8	46	Majorca	F	15	59	Nassau		–	–
Istanbul	S	15	59	Malaga	S	18	64	Newcastle	R	5	41
Jersey	C	11	52	Malta	S	19	66	New Delhi	F	23	73
Johannesburg	F	25	77	Manchester	R	5	41	New York †	C	4	39
Las Palmas	S	22	72	Melbourne	S	14	57	Nice	S	17	63
Leeds	S	6	43	Mexico City		–	–	Nicosia	S	22	72
Lisbon	S	16	61	Miami †	S	12	54	Oporto	S	16	61
Locarno	S	13	55	Milan	S	13	55	Oslo	S	4	39
London	C	7	45	Montreal †	S	-7	19	Paris	S	8	46
Los Angeles †	C	16	61	Moscow	C	6	43	Peking	S	7	45
Luxembourg	C	4	39	Munich	Sl	3	37	Perth	S	22	72

		°C	°F			°C	°F
Prague	R	5	41	Tangier	S	19	66
Reykjavik	C	-1	30	Tel Aviv	C	22	72
Rhodes	S	20	68	Tenerife	C	21	70
Rio de Janeiro		–	–	Tokyo	S	16	61
Rome	S	19	66	Toronto †	S	-6	21
Salzburg	C	4	39	Tunis	R	18	64
S Francisco †	S	11	52	Valencia	C	14	57
Santiago		–	–	Venice	S	13	55
Seoul	S	7	45	Vienna	R	7	45
Singapore	F	31	88	Warsaw	F	6	43
Stockholm	Sn	2	36	Washington †	Dr	2	36
Strasbourg	C	7	45	Wellington	C	19	66
Sydney	S	21	70	Zurich	C	5	41

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

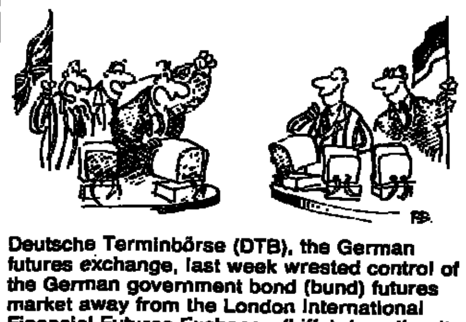
Monday November 11 1991

INSIDE

European banks buy FNFC loans

First National Finance Corporation, the loss-making UK consumer finance and commercial banking group, will announce today it has sold £150m of loans to two continental European banks and that a further £50m disposal is expected in a month. Page 18

DTB wins round in bund battle



Deutsche Terminbörse (DTB), the German futures exchange, last week wrested control of the German government bond (bund) futures market away from the London International Financial Futures Exchange (Liffe), boosting its market share from a quarter to half. But the aggressive tactics adopted by the DTB have raised complaints from some market participants. Page 18

Closed ranks over Maxwell debt

The sound of banks closing ranks was clearly audible at the end of last week as the death of publisher Mr Robert Maxwell raised concerns over the pyramid of debt he had piled up. Around 50 banks are owed £2.2bn by the two Maxwell public companies – Maxwell Communication Corporation and Mirror Group Newspapers – and a range of private businesses. Page 19

Norway seeks bank controls

Norway is seeking legal changes to force the write down of shares in troubled banks and to decide new share issues to ensure the banks' continued operation. If approved by parliament, the plan will move the banking sector a significant step closer to nationalisation and government administration. Karen Fossli reports. Page 18

GrandMet may sell dairy units

Grand Metropolitan, the UK food, drink and retailing group, is in the early stages of negotiating the sale of part of its Express Dairy subsidiary to Northern Foods, the food and dairy products group which supplies Marks & Spencer. Talk of the disposal has been going on for about a year following GrandMet's acquisition of Pillsbury, the US foods group, two years ago, Page 18

Market Statistics

Companies in this issue

MCC considers passing dividend

By Robert Peston in London

MAXWELL Communications Corporation, the main public company of the Maxwell family, is considering passing its interim dividend when it discloses half-year results at the end of this month.

The question of whether to pay a dividend is a key issue to be settled by Mr Kevin Maxwell, newly-appointed chairman of MCC, after his arrival back in the UK from the funeral of his father, Mr Robert Maxwell, yesterday in Israel.

MCC is considering not paying a dividend in an attempt to reassure its bankers, owed an estimated £1.4bn ($2.5bn). However, an adviser to MCC said yesterday no final decision had been taken.

He added that if the dividend was passed, that would not mean the company did not intend paying a final dividend when the financial year was completed.

The banks which arranged MCC's main loan facility of £2bn were Crédit Lyonnais of France and Swiss Bank.

Bankers to the Maxwell family's private interests, who are owed £800m, said they would be dismayed if there was no dividend payment, for two reasons:

● MCC's share price might fall further, reducing the value of collateral pledged against loans to the private companies;

● The income of the Maxwell family, which owns a majority of MCC's shares, would be reduced, affecting the family's ability to service loans.

It also emerged over the weekend that Citicorp has taken control of 25m MCC shares. A Citicorp spokesman said the bank "possessed 3.8 per cent of MCC and had acquired this holding before Mr Maxwell's death last Tuesday".

The shares had been pledged to Citicorp as collateral on a "banking deal" with the Maxwell family's private companies.

He declined to say whether the bank planned to sell these shares, but fears that Citicorp does not want to hold them over the long term may put MCC's share price under renewed pressure.

On the other hand, Goldman Sachs, the US investment bank owed $60m by the Maxwell family, said it had no immediate plans to sell MCC or Mirror Group Newspaper shares pledged to it as loan collateral.

On Friday, Mr Kevin Maxwell met his US bankers, including Goldman, in New York.

Mr Eugene Fife, a managing director of Goldman, said: "We want to give the family the opportunity to sort out its affairs. We won't take any knee-jerk action". He said the loan to the Maxwell family "fell due for repayment some time ago".

Sweden sets the stage for sell-offs

Robert Taylor looks at Stockholm's sweeping privatisation plans

SWEDEN'S industry minister, Mr Per Westerberg, will today formally announce sweeping plans to privatise state-owned industries and abolish the legal restrictions that hamper foreign investors from acquiring Swedish companies, shares and business property.

The two proposals are closely interlinked as the new centre-right coalition government seeks to open Sweden to international competition and make it more attractive to inward investors.

The new government may only have been in office since October 4, but the privatisation programme, which could raise up to SKr10bn ($1.68bn) a year, is one of the best prepared of its policies. Before he came to power, Mr Westerberg consulted up to 20 Swedish and foreign banks and brokering houses on the question and studied the privatisation programmes of other countries.

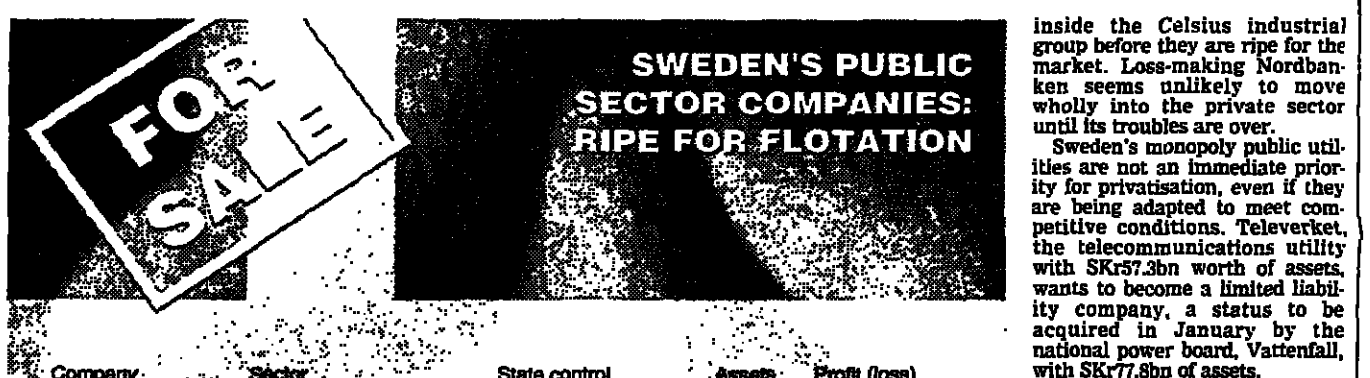
Mr Mark Stacpoole, at Kleinwort Benson Securities, said: "Privatisation promises to be one of the only bright lights in what at present is a gloomy Nordic region." Foreign interest will grow after January 1 1992, when government permission will no longer be needed to acquire more than 40 per cent of the equity and 20 per cent of the voting rights in Swedish corporations.

Today's proposals will set out the framework and guidelines for the phased withdrawal of the Swedish state from its holdings in industry and services. The industry minister will be given full enabling powers so that the government can avoid defeat in parliament, where it lacks an overall majority.

The first legislative step will abolish by the end of the year Fortia, the Swedish state-holding company created less than 12 months ago to look after wholly or partially publicly-owned industrial enterprises.

These are the food/pharmaceutical group Procordia; SSAB steel company; the mining group LKAB; the pulp and paper companies Assi and NCB; and Celsius, an industrial company with interests in marine technology, pipe installations, defence equipment and property. Holdings with a total estimated market value of SKr25bn will go for the time being to the care of the industry department.

Mr Westerberg intends to form a commission responsible to him of "independent and competent" businessmen to advise on the timing and pricing of company flotations and share sales. A larger management board will also be formed in the industry department involved in the operational work of privatising.



Company	Sector	State control Equity	State control Voting	Assets Skr	Profit (loss) first 8 months Skr
Procordia	Pharmaceutical/Food	[illegible]	[illegible]	33.1bn	3.08bn
LKAB	Mining	100%	100%	3.6bn	[illegible]
SSAB	Steel	48%	60%	8.5bn	[illegible]
Celsius	Industrial/defence	100%	100%	7.5bn	[illegible]
Assi	Paper & board	75%	75%	8.0bn	[illegible]
Ncb	Forestry	51%	62%	3.0bn	[illegible]
Nordbanken	Finance	71%	71%	411.0bn	[illegible]

Project groups will be set up inside each company to prepare for the move out of public ownership. The groups are expected to include foreign financial consultants and industry department personnel alongside the company's own management.

The estimated value of Sweden's public industry and utility sector amounts to SKr250bn. Money from the sell-offs will be invested in public infrastructure, including roads, railways and telecommunications.

The government plans its first sell-off next May when taxpayers receive SKr9bn back from the state taken in compulsory savings three years ago. Ministers hope the money will encourage people to invest on the bourse. The government is keen to spread share ownership widely, though domestic and foreign institutions are likely to dominate.

Mr Westerberg wants to ensure the first state sell-off is a success. The highly profitable Procordia, whose main shareholders have been the state and Volvo since December 1989, looks the likeliest candidate.

Other early divestments could be SSAB, and LKAB, which is 100 per cent state-owned. Both have been restructured recently and are lean and cost-effective. Further changes can be expected at loss-making Assi and NCB and inside the Celsius industrial group before they are ripe for the market. Loss-making Nordbanken seems unlikely to move wholly into the private sector until its troubles are over.

Sweden's monopoly public utilities are not an immediate priority for privatisation, even if they are being adapted to meet competitive conditions. Televerket, the telecommunications utility with SKr57.3bn worth of assets, wants to become a limited liability company, a status to be acquired in January by the national power board, Vattenfall, with SKr77.8bn of assets.

The post office and state railways are also marked down for the market but probably not before the end of the century.

The sale of Sweden's diverse state industry sector seems unlikely to arouse much political controversy. During the 1980s, under the ruling Social Democrats, many state-owned companies were opened up to minority private ownership. A number were floated on the stock market during the late 1980s, including SSAB and NCB.

Putative shareholders as a result need not fear the danger of any renationalisation with a change in the Swedish overnment's political complexion.

Along with this weekend's announcement of sizeable cuts in the level of taxation on capital and wealth and steps to increase the available risk capital for small companies, Mr Westerberg's moves on privatising and foreign ownership should bring some cheer to the febrile stock market.

Sweden's macro-economic outlook until 1993 may be grim, but today's announcements will be an important signal to the outside world that the country is eager to embrace the risks and opportunities of a wholly privately-owned industrial system.

Blue Arrow report may cut risk of challenging management

By Philip Coggan

THE UK Department of Trade and Industry report on the £25m ($44.5m) Blue Arrow loan to property developer Mr Peter de Savary, expected to be published on Wednesday, is likely to recommend measures to strengthen the position of non-executive directors of public companies.

The report is understood to criticise Mr Tony Berry, former chairman and chief executive of the employment services group, who approved the loan to Mr de Savary as part of a property deal in Canvey Island. The loan was one reason why non-executive directors unseated Mr Berry.

The DTI inspectors, Miss Hilary Heilbron, QC, and Mr Michael Boohan of accountancy firm Grant Thornton, recommend that a mechanism be created to guarantee the reimbursement to non-executive directors of fees incurred in taking outside advice to challenge executives.

The inspectors say that non-executives who challenge their managements at present face enormous risks to their reputations and their wallets

Publication of the report has been delayed while details of the inspectors' criticisms have been sent to the parties concerned. Some comments have been toned down as a result of this process, according to those who have seen the report.

This was the second DTI inquiry into Blue Arrow, following an earlier investigation into the £837m rights issue which the company used to buy Manpower; the matter is the subject of a court case.

It is understood that the report makes no criticism of Mr Mitchell Fromstein, the Manpower executive who replaced Mr Berry as head of Blue Arrow, or of Blue Arrow's non-executive directors, Mr Michael Davies, Mr Dennis Stevenson and former cabinet minister Mr Norman Tebbit. Mr Tebbit said yesterday he was not at liberty to discuss the report until it was published.

Mr de Savary, who has yet to repay the £25m loan, is also not criticised and is understood to be cleared of any impropriety in the deal. Mr Michael Heseltine, secretary of state for the environment, blocked the Canvey Island development plan earlier this year.

Mr Berry is executive chairman of Business Technology Group, an office equipment company, and is also chairman of Tottenham Hotspur Football Club, although not of the parent company. He was unavailable for comment yesterday.

The building blocs of world trade

Economics Notebook

By Peter Norman

WHAT in the world do economists worry about?

A large part of the answer, to judge from the list of prize-winners of this year's Amex Bank Review Essay Competition, is the state of the world's trading system and the emergence of trading blocs.

Two of the top three prizes, which will be presented on Wednesday in London, are concerned with trading blocs.

Prof Jeffrey Frankel of the University of California, Berkeley, will collect $25,000 for concluding that any emergent yen bloc in eastern Asia will be more the result of US government pressure on Japan to internationalise its currency than any deliberate initiative by the Japanese government.

Of more general interest, given the suspense surrounding the Uruguay Round of multilateral trade liberalisation talks, is the second prize-winning essay. Prof Robert Lawrence of the John F. Kennedy School of Government at Harvard University, wins $10,000 for a spirited and optimistic assessment of the current trend towards regional trading arrangements in the world.

In his view, arrangements such as the European single market and the North American Free Trade Agreement being negotiated between the US, Canada and Mexico, can be building blocks rather than stumbling blocks for the world economy.

Such an idea is especially heartening in view of the history of problems in negotiating the Uruguay Round which have given rise to doubts on the future of the multilateral trading system and its guardian, the General Agreement on Tariffs and Trade (Gatt).

Although the mood on farm reform has improved this weekend and participants have pledged non-stop negotiations in Geneva so texts of agreements can be ready by the end of this month for political decisions, the shape of any final deal remains obscure. Trade experts are thus not ready to dismiss worries over the future of the trading system should the Gatt talks fail. In that event, the emerging regional arrangements would be thrust centre stage.

Which brings us back to Prof Lawrence. He bases his optimism on a belief that the forces initiating the regional blocs are the very opposite of protectionism and that conditions today in no way resemble the situation in the 1930s when the world economy was split into regional trading zones closed to outsiders.

Instead, he identifies several positive influences for the world economy from regional trading arrangements:

● They boost growth. He maintains, for example, that the 1992 initiative in Europe had a significant psychological impact in shifting the mood of the continent from "Europessimism" to "Europhoria" in the 1980s. The credible integration of Latin American economies with the US and Canada could have a similar beneficial effect, particularly by restoring investor confidence in Latin America.

● They can promote trade with countries outside the blocs. This point may seem strange to students of the 1930s, but Prof Lawrence argues that regions may be more willing than individual countries to agree liberalisation with outside countries.

He points out that, agriculture apart, the increased regional integration among the original six European Community members was associated with extensive participation in multilateral tariff cuts.

The nations negotiating the North American FTA are similarly opening up to other countries. Mexico, for example, is negotiating another FTA with Venezuela and Chile, has signed agreements on freer trade with several central American countries, and is seeking to join the Organisation for Economic Co-operation and Development (OECD), the 24-nation group of the world's most industrialised countries.

● They cannot prosper without trade outside their own regions. "While each of the major players may benefit from regional arrangements, none can afford to ignore its extra-regional relations. The US, Europe and Japan are all global rather than regional traders," Prof Lawrence says.

Extra-regional trade accounts for around 11 per cent of North American gross domestic product; some 13 per cent of western European GDP and around 22 per cent of the GDP of Japan and south-east Asia. "The importance of extra-regional trade to nations all over the world means that no region is in a position to sever, or even significantly curtail, its trade ties with the rest of the world by forming closed blocs," Prof Lawrence says.

He is especially dismissive of fears that Japan might become the centre of a restrictive trading zone. "The Asian bloc allegedly emerging around Japan is the least likely to develop into a formal protectionist arrangement. This region is particularly dependent on extra-regional trade."

Prof Lawrence is also remarkably sanguine about the EC's single-market plans, given the high degree of concern expressed in the US during the 1980s that it could lead to a "fortress Europe".

He believes that deeper integration within Europe will facilitate trade with the rest of the world. "A common set of standards, for example, makes it easier for *all* who wish to sell in Europe – not just insiders. A tough set of rules which inhibits governments from subsidising domestic firms aids all their competitors, not just those located in the European Community."

Moves to regional integration in Latin America hold out similar promise because governments there have adopted market-oriented policies with the aim of serving global markets.

Is it all too good to be true? Perhaps.

Prof Lawrence claims that the new regional arrangements are unlikely to resort to "overt protectionist barriers". But he admits that each of them "might well resort to more subtle protectionist pressures".

These could include the well-tried expedients of voluntary restraint arrangements in the US, less-than-transparent anti-dumping rules in Europe and company-inspired "hidden barriers" to sales in Japan.

Regional trading blocs are no substitute for Gatt after all. Indeed, if they are to help the world economy grow they will need to be backed by the heightened Gatt discipline that is one of the objectives of the Uruguay Round.

Prof Lawrence's essay paints an attractive picture of what might be. But it does not absolve the embattled trade negotiators in Geneva from doing their utmost to bring the trade liberalisation talks to a successful conclusion by the end of this year.

GM warns of $16bn charge on benefits

By Martin Dickson in New York

GENERAL MOTORS, the largest US motor group, estimates it will have to take a non-cash charge of $16bn to $24bn to comply with a new standard of accounting for non-pension retirement benefits to its employees, notably health-care.

The GM charge may be the largest faced by any US employer in complying with the Financial Accounting Standards Board's rule 106, which was adopted last December and comes into effect at the end of next year.

This requires employers to accrue the cost of non-pension retirement benefits over the working careers of their employees, rather than charge them against earnings in the period in which they occur.

Benefits already promised to existing employees must be estimated and either written off in a single charge or amortised over 20 years.

GM said in a routine filing with the Securities and Exchange Commission that the incremental annual expense of complying with FASB 106, shown as a reduction from earnings, could range from $400m to $2.6bn. This would be unfavourable to net income but have no direct impact on cash flow.

GM has yet to decide whether to adopt a single charge or to amortise, but the former would hit its balance sheet, which has shareholders' equity of around $29bn.

Other businesses, such as IBM, General Electric and Abbott Laboratories, have already taken one-time charges, but the sums were less than GM's.

European banks buy FNFC loans

By Robert Peston

FIRST National Finance Corporation, the loss-making UK consumer finance and commercial banking group, will announce today that it has sold £150m of loans to two continental banks and that a further £50m disposal is expected in a month.

The deals will increase the group's capital resources, helping to reassure investors. Shares in the company fell this year from a high of 213p to 38p on Friday night, because of concerns over the scale of its losses on loans to consumers and small businesses.

The loan sales are unusual, because they involve unsecured debt, rather than mortgages. Mr Tom Wrigley, FNFC's chief executive, said the Bank of England had indicated it would view the transactions as removing the loans from FNFC's balance sheet.

This will boost the risk capital ratio of FNFC's consumer finance banking subsidiary to almost 15 per cent, well above the 8 per cent minimum set by the Bank.

However, Mr Wrigley admitted that defaults on consumer and commercial loans remained high. City analysts believe that FNFC will announce provisions of around £100m to cover bad and doubtful debts when it discloses results for the year to October 31. That would give a provision rate of more than 6 per cent of loans, three times greater than the clearing banks.

FNFC's big loan losses reflect the comparative risks of its lending, often top-up loans on houses. However, the interest rates are high.

Analysts believe that FNFC made pre-tax profits before provisions of around £70m, but a loss after provisions of £25m-£30m. The company, a prominent casualty of the secondary banking crisis of 1974, is unlikely to pay a final dividend.

The average interest rate on the loan portfolio being sold is around 10 per cent over the London Interbank Offered Rate, the benchmark for loans between banks. However, Mr Wrigley said the banks buying the portfolio would not retain this full 10 per cent margin. Even though they are taking over the credit risk, they will pass most of the margin back to FNFC, which will continue to earn the bulk of the profits on the loans.

Mr Wrigley said the portfolio was a typical package of FNFC loans, rather than just its best loans. The quality of its remaining loans, totalling £1.45bn, had not been impaired by the deal.

All its loans are matched by borrowings from banks of equivalent maturity – four years on average – minimising the risk of a run on its deposits.

Tom Wrigley: removing loans from the balance sheet

Tyne Tees and Granada discuss deal to cut costs

By Raymond Snoddy

GRANADA TELEVISION has been in talks with Tyne Tees managers about the possibility of a cost-cutting deal on its franchise.

Individual managers from Tyne Tees, worried about the size of the company's successful £15m a year bid for its franchise, approached, it is believed, Granada which won back its franchise with a £9m bid.

Granada was a backer of the North East Television Consortium which bid against Tyne Tees in the competitive tenders for new franchises.

North East passed the initial quality threshold but its £5m bid was too small.

Granada is only interested in a deal if Tyne Tees turns down its franchise offer and instead accepts a merger with North East and its £5m bid.

The situation at Tyne Tees is similar to that involving Yorkshire Television and White Rose, where there is a qualified under bidder and a large gap between the two bids. White Rose is trying to persuade Yorkshire's shareholders to turn down their £37.7m bid and instead accept a stake in White Rose which bid £20m a year less.

Yorkshire already holds a 20 per cent stake in Tyne Tees and is expected to take over its neighbour early next year.

Granada is only in a position to make a conditional offer to Tyne Tees.

The hope would be that if either Yorkshire or Tyne Tees turned down the offer of a franchise, the Independent Television Commission would move automatically to the next qualified bidder – North East in the case of Tyne Tees and White Rose in the case of Yorkshire.

Legal opinion is divided on whether the ITC could instead decide to re-advertise such franchises. The final decision has to be taken by shareholders before the end of this month.

Norway seeks to extend banking sector controls

By Karen Fossli in Oslo

NORWAY is seeking legal changes to force the write-down of shares in troubled banks and to decide new share issues to ensure the banks' continued operation.

If approved by parliament, the plan will move the banking sector a significant step closer to nationalisation.

Details of a plan to recapitalise Christiania Bank, Norway's second biggest bank which was declared technically insolvent last month, have been postponed until parliamentary backing is secured for an earlier NKr11.5bn ($1.78bn) bank sector rescue package.

"*Authorities should have* the ability to decide a write-down of the face value of shares in a commercial bank where 25 per cent or less of the share capital is estimated to remain," the Finance Ministry said.

Current law gives a meeting of bank shareholders the authority to formally decide if share values should be written down.

The new proposal is general and does not single out specific banks for treatment. It is aimed at ensuring "the quick and effective transfer of share capital from the government bank insurance fund to banks in crisis".

The state-operated bank insurance fund was established earlier this year with NKr5bn of capital, but much of this has already been allocated. The government is awaiting parlia*mentary approval to expanded* the fund by NKr6bn.

But the proposal also gives finance authorities the power to "decide share issues to ensure the continued operation of a bank". Such issues are expected in most cases to be directed at the government bank insurance fund.

"A quick recapitalisation of *Christiania will be carried out* once parliament has dealt with the banking proposals," the Finance Ministry said.

Christiania is owned by the government bank insurance fund, and Mr Sigbjoern Johnsen, the finance minister, has said that the bank's shares should be written down to zero.

But Christiania believes that its 40m shares should retain a symbolic value to keep open the option for the bank to be *reprivatised at some future* date.

Under Norwegian law, shareholders are eligible for tax relief on value lost on share falls – but not if the shares are written down to zero.

DTB regains bund market lead

By Tracy Corrigan

DEUTSCHE Terminbörse (DTB), the German futures exchange, last week wrested control of the German bund futures market away from the London International Financial Futures Exchange (Liffe), boosting its market share from a quarter to half. But the aggressive tactics adopted by the DTB have raised complaints from some market participants.

On November 1, a meeting of designated market-makers on the DTB contract discussed plans to commit themselves to trading a minimum daily volume of contracts. Four banks – Deutsche Bank, Dresdner Bank, Commerzbank and J. P. Morgan – agreed to make such a commitment.

The others are still discussing the issue; there is broad support for such a move, although its final form is not yet fixed and it will not be introduced until the beginning of December, said sources close to the discussions.

"There was a proposal from one bank [to institute such as system]," said Mr Harold Schlawin, head of trading at Deutsche Bank, who attended the meeting. He maintained that Deutsche, Dresdner, Commerzbank and J. P. Morgan agreed but there was no official commitment.

But some observers believe that the surge in volume last week can only be accounted for by a fundamental change in strategy by the market-makers, such as the imposition of daily targets.

Bund volume on the DTB jumped dramatically from 9,000 last Monday to 53,000 on Friday (with Friday's volume exactly matching that of Liffe). Some market participants suggested that volume had been boosted by cross-trading, that is, the to-and-fro trading of contracts between market-makers to create volume artificially.

The DTB is adamant that a minimum volume has not yet been set. "There is a discussion about the quality of market-making, but the agreement has not started yet and that is not the reason for the surge in volume," said Mr Willy Brandt, a DTB official.

Such an approach is, in any case, rejected by Liffe. "We have never, and would not, institute any sort of guaranteed activity and indeed would probably be precluded from doing so under the Financial Services Act," said Mr Michael Jenkins, chief executive of Liffe.

The DTB, which had been trading bund futures for a year without gaining significant market share, had already taken steps to encourage more trading.

Earlier this year, the exchange set up its designated market-maker system in an effort to boost liquidity, and two months ago the exchange's transaction fees on bund futures contract trading were removed.

Rosehaugh Stanhope Devs net assets fall

By Vanessa Houlder, Property Correspondent

ROSEHAUGH and Stanhope, the property companies that have been locked in merger talks for the last four months, have announced a 15 per cent decline in the net asset value of their jointly-owned company Rosehaugh Stanhope Developments.

RSD, which owns the Broadgate complex in the City and the Ludgate development underway near St Paul's, dropped in net asset value from £399.58m to £341.15m in the year to end-June 1991. It incurred a pre-tax loss of £60.4m, compared with £41.1m the year before.

Mr Nigel Wilson, managing director of Stanhope, said that Broadgate which had external borrowings of £1bn would be virtually self-financing in 1992, when its rental income would be £100m. He expected RSD as a whole to be self-financing by 1994.

Some analysts have doubts about the letting prospects for the Ludgate development and the effect this will have on the cash flow and value of RSD.

The concerns were reflected in the share prices of Rosehaugh and Stanhope, which closed on Friday at 16p and 37p, respectively.

Analysts were also concerned about the high gearing of the merged company, which would have to bring the debts of RSD onto its balance sheet. However, the companies said that as long as there was adequate cash flow, an injection of fresh equity was not a pre-condition for the merger.

Mr Wilson said that merger talks were starting to make progress. "Ninety per cent of the barriers have disappeared," he claimed.

Negotiations have progressed slowly, partly because of a lengthy due diligence process on Rosehaugh and to the need to demonstrate the financial viability of various parts of the businesses. The high level of Rosehaugh's debt hampered negotiations, although that had been eased by its recent £45m sale of its minority interest in Rosehaugh Greycoat Estate Holdings.

Rosehaugh was expected to publish its results later this month but it was unclear whether it would be able to agree a merger by then. The companies and their 70 bankers still had to thrash out the financial structure and terms of the merger.

The purpose of merging the two companies is to bring RSD under single ownership. It seemed likely that the companies would consider the ring-fencing of most of Rosehaugh's non-RSD assets, which would then be sold.

On Friday, RSD signed the largest City letting of this year, with the European Bank of Reconstruction and Development, which will move into the Broadgate complex in early 1993.

Ultramar attacks Lasmo financial performance

THE £1.15bn bid battle between oil groups Lasmo and Ultramar rumbled on over the weekend with an attack by the the latter on the bidder's financial performance.

In a circular to its shareholders, Ultramar claims that Lasmo's finding costs of new reserves have risen substantially, that its production costs are "unusually high in comparison with both major oil companies and other UK oil independents", and that its balance sheet is "deteriorating rapidly."

The Lasmo camp retorted yesterday that its gearing was only 22 per cent. Lasmo is offering a one-for-one share deal for Ultramar, where three directors have resigned in the course of the bid.

● Hawker Siddeley, the engineering group, has written to shareholders asking them to reject BTR's £1.55bn hostile offer. Sir Peter Baxendell, the chairman, said the increase was nothing more than a "token gesture" and still failed to recognise the value of the company.

GrandMet in talks to sell part of Express Dairy

By William Cochrane

GRAND METROPOLITAN is in the early stages of negotiating the sale of part of its Express Dairy subsidiary to Northern Foods, the Hull-based food and dairy products group which supplies Marks & Spencer.

The talks involve two of four Express divisions, which cover liquid milk and the Eden Vale range of chilled fresh dairy products and are valued at between £300m and £350m.

GrandMet, which declined official comment yesterday, originally intended to find a buyer for the whole business; but Northern is said not to want the commodity cheese and butter division, and the Irish side of the business, and these could be sold to other contenders.

Talk of the Express Dairy disposal has been going on for about a year. Following GrandMet's $5.8bn acquisition of Pillsbury, the US foods group, two years ago, group strategy has been to build up Pillsbury's international food brands and Express, with no international brands to speak of, has not fitted into this plan.

At the time of GrandMet's half year results in May, trading profits of its North American businesses had increased by 27 per cent; group debt was unchanged at £2.9bn and gearing had increased from 84 to 89 per cent.

Weinstock says no bid planned for BAe

LORD Weinstock, managing director of GEC, the electronics group, yesterday confirmed that he did not plan to bid for the troubled British Aerospace.

In an interview with the BBC's Money Programme, Lord Weinstock, said: "There's no particular hurry, but we would like those relationships to develop further. That is what our position is, but we do not have it in mind to bid for British Aerospace.

"The first circumstance is that they should need us. And that they should want us. I don't think that anything can be done in a constructive way, the sort that we would have in mind, without their willing co-operation. They would have to be eager to have us, to do whatever was required."

SelecTV makes £5.6m rights

SELECTV, a leading independent producer of comedy programmes in the UK and a 15 per cent shareholder in Meridian, which was recently awarded the Channel 3 franchise for the south and south-east of England, is raising £5.6m net via a one-for-two rights issue at 17p per share.

Proceeds of the issue, which is fully underwritten by brokers Sheppards, will be used to meet the cost of the company's investment in Meridian (£4.5m) and provide funds for further development of production and other activities.

SelecTV said it believed that the opportunity created by the company's participation in Meridian and the level of current activities gave grounds for an encouraging view of prospects. The shares were unchanged at 22p on Friday.

Whitbread Inv midway growth

NET asset value continues to grow at Whitbread Investment Trust. On September 30 it stood at 689.4p, against 654.26p six months' earlier and 568.1p at September 1990.

The directors said the UK brewing industry was going through an upheaval, but they believed that most of the companies in which the trust was invested should continue to increase their dividends.

In the half year ended September 30 the trust lifted its earnings per share to 8.91p (8.32p). The interim dividend is raised to 4.2p (3.95p).

Pittencrief's hostile cash bid for Ambrit

PITTENCRIEF, the rapidly-expanding Scottish oil production and communications group, is making a £4.5m cash bid for Ambrit, an oil and gas exploration and production company, writes Michiyo Nakamoto.

But Ambrit has responded by saying it "emphatically rejects" the offer. Mr Alan Russett, *the chairman,* claimed: "This bid is opportunistic. It fails to recognise the significant restructuring that Ambrit has undertaken."

Pittencrief has obtained 29.93 per cent of the Ambrit equity and is seeking board support for the offer.

The assets of Pittencrief were primarily in the US while Ambrit operated there and in the UK.

Japanese shipping lines record sharp declines

By Steven Butler in Tokyo

NIPPON Yusen and Mitsui OSK Lines, Japan's biggest shipping companies, reported sharp declines in pre-tax profits in the six months to the end of June in spite of a modest increase in sales.

The companies were affected by the economic downturn, which has put a damper on international shipping, as well as the strength of the yen. Brisk growth in shipping between far eastern and European ports was balanced by sluggish shipping demand to North America and poor rates.

Nippon Yusen saw its profit before tax for the period *decline to Y6.64bn ($51m) from* Y8.2bn a year earlier. Sales rose by 0.5 per cent to Y275bn from Y273.8bn. Net earnings dropped by 3 per cent to Y4.12bn.

At Mitsui, profits before tax fell to Y4.23bn from Y6.09bn during the half-year. After tax, however, profits rose to Y2.64bn from Y2.07bn due to net extraordinary gains of Y475m, compared with net extraordinary losses of Y3.78bn in the comparable period.

Daihatsu tumbles 45%

By Emiko Terazono in Tokyo

DAIHATSU Motor, the Japanese motor group, reported a 45.9 per cent plunge in unconsolidated pre-tax profits to Y3.6bn ($27m) for the first half to September, due to the sluggish domestic minicar market.

Sales fell 1.7 per cent to Y381.7bn, while after-tax profits declined 40.7 per cent to Y2.2bn.

Daihatsu blamed the fall in sales, the first in 19 years, on *weak domestic sales,* which account for 71 per cent for its overall sales. Sales of cars under 2 litres fell by 20 per cent, while minicar sales declined by 5 per cent.

For the full year, Daihatsu said continued sluggishness in minicar sales would mean an increase in support expenses for its car dealers.

For the year to March, Daihatsu revised its sales to a 0.2 per cent decline to Y785bn and a 65.3 per cent fall in pre-tax profits to Y4.5bn.

TWA losses hit $51m in quarter

By Nikki Tait in New York

TWA, the heavily-indebted airline controlled by Mr Carl Icahn, has unveiled an after-*tax loss of $51.3m for the three* months to end-September, despite a $37.3m gain on asset sales. A year ago, it reported a net $14.7m deficit.

At the operating level, TWA – an aggressive price-cutter in recent months – posted a $60.3m loss, bringing the operating deficit for the first nine months to $257.7m. In the third quarter of 1990, the carrier made a $58.7m operating profit.

The results were on third-quarter operating revenues of just over $1bn, compared with $1.34bn a year earlier. The heaviest downturn in passenger boardings came on the international, rather than domestic, side.

TWA is currently in the throes of negotiating a debt restructuring package with its creditors. In the third quarter, it incurred interest and other charges of $78.6m.

Air Canada in the black in third period

AIR Canada returned to modest profits in the third quarter, shaking off some of the impact of global recession, but will still show a heavy loss for all 1991, writes Robert Gibbens in Montreal.

The airline, Canada's largest and privatised in 1988-9, had a third-quarter profit of C$4m (US$3.6m), or 6 cents a share, against a profit of C$44m, or 60 cents, a year earlier. Revenues were down 14 per cent at C$959m.

With the Gulf war and its aftermath, the nine months' loss was C$126m, or C$1.70 a *share, against a profit of* C$50m, or 68 cents, on revenues of $2.7bn against C$3bn.

The third quarter is Air Canada's strongest, and analysts expect a loss of around C$200m for the full year.

More interest being shown in UK bonds

UK FUND managers are still backing Japan, as well as their home equity market and the prospects of the British Conservative party at the next general election. But their enthusiasm for equities has receded a little, and a significant number of them are more willing to invest in UK bonds than they were a month ago.

The upward re-rating of the Tokyo market has stumbled over the past two weeks. Yet, in a survey of 100 UK leading fund management groups conducted one week ago by Gallup for Smith New Court, 46 per cent were still planning to increase their holdings of Japanese shares, compared with 63 per cent a month earlier.

In the UK, where 70 per cent of the respondents still thought that the Conservatives will be the largest single party after the election, 32 per cent planned to increase their shareholdings.

This compared with 27 per cent in October. The deterioration here coincided with a rise from 20 to 24 per cent in those who thought that the UK election result will produce a hung parliament, with Labour being the largest single party.

Some strategists have been arguing that the next upward drive in European bond markets will come from improved prospects in eastern Europe, and that this will favour equities in the Deutschemark bloc more than bonds themselves.

However, the balance of responding UK fund managers planning to increase their holdings of UK gilt-edged stocks has swung from minus 14 per cent in October to plus 7 per cent in November, with the balance for index-linked gilts shifting from minus 7 per cent to plus 4 per cent over the same period.

First Chicago names chief

By Barbara Durr in Chicago

FIRST Chicago's board of directors has chosen Mr Richard Thomas, president of the bank for 17 years, as chairman, succeeding Mr Barry Sullivan, who resigned last month.

The choice of a veteran insider was viewed as an effort to keep the bank on its current strategic track and avoid the upheaval that an outsider with a different vision of the bank might bring. Mr Thomas, aged 60, joined the bank in 1958 as a trainee. He has been a director since 1973.

The bank has been aiming to expand its retail banking network through acquisitions and consolidate its position as a "super-regional".

Mr Thomas is expected to continue plans to revive the bank through a restructuring of activities and aggressive portfolio management. The bank will have shed some 1,000 jobs by the end of this year.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Royal Packaging Industries (Holland)	4P Group (France/Germany)	Packaging	£268m	Unilever exits packaging
Fukutake Publishing (Japan)	Berlitz International (US)	Language teaching	£144m	Maxwell disposal
Jenbacher Transportsysteme	Telfos Holdings (UK)	Rolling stock	£35.8m	Offer for outstanding stake
Publicis (France)	Geers Gross (UK)	Advertising	£5.3m	Pan-European partnership
Harrisons & Crosfield (UK)	Chemiewerk Greiz-Dolau (Germany)	Plastics	£3.8m	Buy from Treuhand
Sturge Holdings (UK)	British American Insurance Agency (Germany)	Insurance	£1m	German first for Lloyd's
Philip Morris (US)	Egri Dohangyar (Hungary)	Cigarettes	n/a	Buyer targetting E Europe
Fiat (Italy)/Hitachi (Japan)/Deere (US)	JV	Heavy equipment	n/a	Memo of understanding signed
BSN (France)	Amoy Industries International (Honk Kong)	Food	n/a	Brands range increased
Komatsu (Japan)	FAI (Italy)	Construction equipment	n/a	Tie-strengthening 10% stake

Source: FT Mergers & Acquisitions International

Disposals driven by strategy and debt were again a feature of last week's international mergers and acquisitions, writes Brian Bollen.

Anglo-Dutch group Unilever is exiting from packaging to concentrate on its core businesses, selling its Franco-German arm, 4P, to Holland's Royal Packaging Industries.

The sale of US-based language teaching subsidiary Berlitz, the first announced by Maxwell Communication Corporation after the death of chairman Robert Maxwell, continues a series of debt reduction disposals. The buyer, Fukutake of Japan, plans to establish an international education and publishing business.

Providing a reminder that there is a positive side too to focusing on core activities. US tobacco company Philip Morris launched a planned series of acquisitions in eastern Europe by acquiring Hungarian state-owned cigarette maker Egri Dohangyar.

There was further confirmation of the creeping globalisation of the recession-hit heavy construction equipment industry. While Italy's Fiat, Japan's Hitachi Construction Machinery and Deere of the US were signing a co-operation memorandum, Japan's Komatsu was acquiring a 10 per cent stake in FAI, Italy's second-largest maker of construction equipment.

The agreement of terms for the merger of London-based advertising agency Geers Gross with marketing group Publicis continues the trend of French purchases in the industry UK advertising industry. Blue Circle Industries of the UK continued its diversification and continental European expansion strategy with the cash purchase of Swedish radiator manufacturer Thermopanel.

Mixed reaction to Jardine plan

By Angus Foster in Hong Kong

HONG KONG Stock Exchange's public consultation on Jardine Matheson's plan to move its main stock market listing to London closed on Friday with mixed reactions from Hong Kong's financial community.

A group of six merchant banks, including Baring and Standard Chartered Asia, is understood to have made a submission opposed in principle to Jardine's plan but hoping the company could be accommodated.

In outspoken opposition, the Hong Kong Society of Accountants described the proposals as "wholly inappropriate" and detrimental to the stock market's development.

The stock exchange will now assess the submissions before deciding whether to proceed with Jardine's proposals. If the exchange decides to go ahead, the Securities and Futures Commission will assess the implications of the plan under the takeover code.

Jardine wants to move its primary listing to London for regulatory purposes but retain a trading status in Hong Kong, where group companies account for about 10 per cent of stock market turnover.

Jardine has said it wants to make the move because it fears Chinese interference in Hong Kong after 1997. If Jardine's request for a special status is not met, the company has threatened to delist from Hong Kong.

The company has been attacked by politicians and businessmen for seeking special favours and acting in a "high-handed" manner. Critics say bowing to Jardine's proposals would undermine the authority and credibility of Hong Kong's regulatory authorities and would also set a dangerous precedent. Pro-China newspapers, Beijing's mouthpieces in Hong Kong, roundly oppose the plan.

But Mr Greg Terry, legal adviser to Jardine, said the company had received several expressions of support in Hong Kong and relations with China's leaders were "excellent".

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Banks close ranks over Maxwell debt

THE sound of banks closing ranks was clearly audible at the end of last week as the death of publisher Mr Robert Maxwell raised concerns over the pyramid of debt he had piled up.

Around 50 banks are owed £2.2bn by the two Maxwell public companies – Maxwell Communication Corporation (MCC) and Mirror Group Newspapers (MGN) – and a range a private businesses. With that much at stake, no one was going to risk bringing down the whole edifice.

At the forefront of the rank-closers were National Westminster, main banker to MCC, and Crédit Lyonnais, which together with Swiss Bank Corporation had organised MCC's syndicated loans. The two are thought to be among the biggest bank creditors of the Maxwell group of companies, so it was not surprising they were the most public in their support.

NatWest expressed strong confidence in Mr Kevin Maxwell, Mr Robert Maxwell's son and chairman of MCC. Crédit Lyonnais claimed nothing had changed at MCC since its creator's death: Mr Maxwell senior had already taken a back seat, a debt reduction programme was under way and disposals would be unaffected, the French bank said.

Whether they are right will depend on a number of factors.

First, can MCC meet its disposal targets to meet loan repayments when they fall due? Of the $2.01bn owed by MCC, $750m falls due by next October, with the rest repayable by October 1994.

MCC's debt has already been reduced by $1bn this year, and disposals so far have all been at above book value, says Crédit Lyonnais. Nevertheless, the £2bn or so of intangible assets at MCC's last year-end (comprising mainly publishing rights and titles) makes bankers distinctly nervous: in an accelerated disposal programme, how much of this value will be realised?

Second, could cashflow problems in the private companies bring down the public ones? Private Maxwell companies have raised cash through a range of syndicated transactions.

Of greater concern to MCC's bankers, though, is the range of bilateral transactions undertaken by the private companies. Many of these loans are secured on the Maxwell family's stakes in MCC and MGN, and one bank at least – Goldman Sachs – has already demonstrated it is prepared to realise its security by selling shares in the market.

The possible chain-reaction is what concerns bankers to the public companies. The weakness in MCC's share price could trigger margin calls which the Maxwell family are unable to meet, leading to the sale of more shares held as security and a downward spiral in the share price. In MGN's case, that could take the Maxwell stake below 50 per cent, triggering a default on a £150m syndicated loan arranged by Barclays, Lloyds, Midland and Crédit Lyonnais.

The third, connected, question is whether the group's various banks see eye to eye for long enough to allow an orderly disposal of assets and the continuation of whatever businesses remain. The negotiations ahead will be difficult, as banks with readily realisable securities (Maxwell family shares or tangible assets) decide how to proceed.

They will also be complex. Bankers to the private companies, for instance, may hold shares as security, but they rely on the cashflow from the public ones (in the form of dividends) to keep the private empire functioning. If this flow of cash breaks down, the entire edifice could collapse.

Richard Waters

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,953.6	0.0	50.0	11,981.5
Prev	900.0	90.0	0.0	14,339.6
Other	2,192.5	0.0	155.1	10,393.9
Prev	3,801.7	0.0	15.3	5,667.9
Secondary Market				
US$	29,723.5	1,366.8	8,203.7	9,907.4
Prev	24,380.7	1,217.4	8,517.4	10,771.9
Other	48,890.6	753.5	4,924.7	95,726.3
Prev	46,072.5	955.3	5,155.3	81,114.1

	Cedel	Euroclear	Total
US$	22,161.5	42,025.0	64,186.5
Prev	22,441.4	37,775.6	60,217.0
Other	58,634.5	104,402.1	163,036.6
Prev	50,568.5	92,213.6	142,782.1

Week to November 7 1991

Source: AIBD

INTERNATIONAL BONDS

Limelight falls upon the UK's building societies

THE UK's traditionally cautious building societies were thrown into the financial limelight last week as the Town & Country, the 15th largest institution, was rescued by the Woolwich.

The incident focused attention on the credit quality of the UK's mutual savings institutions in the face of mounting losses on mortgage lending. The Woolwich immediately had its Aa3 long-term credit rating put under review for possible downgrade by Moody's Investors Service, the US credit rating agency. This underlined the knock-on effect that problems at smaller institutions could cause for their larger rivals.

There is a body of opinion that the Building Societies Commission (BSC), the regulator under UK law, will not allow any society to fail. The stronger institutions will be pressured into absorbing any building society which runs into trouble.

On this view, Halifax, the largest and most credit-worthy institution, is the ultimate guarantor of the sector.

This does not mean all building societies should be unofficially assigned the same Aa1/AA+ credit rating as Halifax, just one-notch below the coveted triple-A level. The Town & Country takeover illustrates that mergers could easily weaken the credit quality of the stronger societies.

The fresh focus on credit quality comes as building societies are diversifying their borrowing activities in the capital markets. For example, Nationwide Anglia last month made the first dollar-denominated floating-rate bond issue by a building society.

Moves to diversify sources of wholesale funding are applauded by credit rating agencies. For example, the Cheltenham & Gloucester said last week it had set up a $1.5bn medium-term note (MTN) programme, arranged by Merrill Lynch. This allows it to issue notes of between one month and 30 years maturity, in all leading currencies.

Bankers said that MTN programmes are part of a general move to lessen dependence on sterling floating-rate bonds, the established method for building societies to raise debt finance.

Nationwide Anglia and National & Provincial have similar programmes in place, allowing them to issue in currencies ranging from Finnish markka to US dollars. Nationwide Anglia said that it has $300m equivalent outstanding on its MTN programme, denominated in lire, Irish punts, Canadian dollars, US dollars, Swedish kronor and sterling.

This does not entail taking on currency risk because the BSC demands that all foreign currency borrowings are swapped back into sterling.

However, other forms of funding risk are of concern to credit rating analysts. In particular, the more a building society relies on "wholesale" funding from the capital markets, the greater the risk that it will not be able to refinance its borrowings when it runs into trouble – or will only be able to do so at punitive rates.

The BSC sets a 40 per cent limit on the amount of funding which societies can raise from the capital markets. Most operate at around 20 per cent, considered safe by rating agencies.

In addition, some sources of funding are more sensitive to changes in confidence than others. Commercial paper is generally seen as the most confidence-sensitive source of funding because it is short-term.

Nationwide Anglia has both US and Euro-commercial paper programmes, totalling $2bn, set up in 1990 and earlier this year. Around $1.1bn of paper is currently outstanding, a fairly typical amount among larger building societies.

The one area in which the building societies have not needed the financial markets in the past is for raising capital. Unlike banks, building societies are not under pressure to maintain dividend payments. As a result, a higher proportion of earnings can be retained as capital. Moody's estimated that the larger building societies can under normal conditions expand their capital base by 20 per cent per year simply by retaining earnings.

However, since the summer, building societies have been able to issue permanent interest-bearing shares (Pibs), which count as core capital under BSC regulations. Bristol & West, Leeds Permanent and Bradford & Bingley have already entered the market.

The societies argue that Pibs are attractive as a source of funding and that it is in their long-term interest to develop the market. They are not short of capital.

Halifax, Leeds Permanent and Bradford & Bingley each have a core capital ratio of 9 per cent of assets, against just over 5 per cent for National Westminster Bank.

Meanwhile, potential investors in Pibs, in particular, will be keeping an eye on the credit quality of issuers, as they rank even below retail depositors in the event of winding up.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Statni Bankat	200	1994	3	9	99.61	Nomura Secs.	9.152
EIB†	300	2001	10	8	100.215	SBC	7.968
Toyota Motor Credit Corp†	250	1996	5	7¼	101.59	CSFB	6.869
Int.Finance Corp†	300	1996	5	7⅛	99.65	Deutsche Bk Cap.Mkts.	7.210
Oesterreichische K'bank†	200	1996	5	7⅛	99.87	Deutsche Bk Cap.Mkts.	7.156
DKB Asia(h)‡†	100	2001	10	(h)	101⅞	Salomon Bros.	-
Petroleo Brasileiro†	250	1992	1	10	99.80	CSFB	10.214
Bco.d'Galicia y B.Aires(k)†	75	1994	(k)	10	96.996	Chase Investment Bk	11.520
New Line Cinema Corp(l)§†	30	2006	15	6½	100	County Natwest Secs.	6.606
Genfinance Lux.(o)♦†	100	(o)	(o)	(o)	100	Merrill Lynch	-
STERLING							
Auto Funding(c)‡†	220	1996	4½	(c).	100	UBS Phillips & Drew	-
EIB(d)†	200	1994	3	9½	98.70	Goldman Sachs	10.013
Redland Sterling Fding.†	125	2001	10	10⅞	101.20	SG Warburg Secs.	10.677
AUSTRALIAN DOLLARS							
State Bk of Sth.Aust.†	150	1998	7	10	100.80	Hambros Bank	9.839
Deutsche Bk Aust.†	100	1996	5	9	101¼	Deutsche Bk Cap.Mkts.	8.686
Bque.Nationale d'Paris†	75	1996	5	9½	101.95	Deutsche Bk Cap.Mkts.	9.007
CANADIAN DOLLARS							
La Caisse Cent.Desjardins†	100	1996	5	8¾	100.925	Wood Gundy	8.519
City of Laval†	100	2002	10	9¾	101.05	Wood Gundy	9.584
Prudential Funding Corp†	150	1995	4	8¼	101.27	Wood Gundy	7.872
FRENCH FRANCS							
Carrefour(e)†	500	1995	4	zero	100	Societe Generale	-
Barclays Bk†	1.2bn	1999	8	9¼	99.726	BNP Capital Markets	9.299
Electricite de France†	2bn	2002	11	zero	38.87	CCF	8.778
D-MARKS							
Chuo Woollen Mills♦	30	1995	4	5⅛	100	Dresdner Bank	5.125
Bco.Portuges d'Invest.(m)‡†	175	1996	4.833	(m)	100	Bayerische Vereinsbk.	-
Council of Europe†	90	2001	10	8¼	101⅛	Bayerische Landesbk.	8.084
SWISS FRANCS							
Atsugi Nylon Ind.(a)★★§†	290	1995	-	6	100	SBC	6.090
Tsuzuki Denki Kogyo(b)★★♦†	70	1995	-	4½	100	Credit Suisse	4.500
Inter-American Devt.Bk†	150	2001	-	7¼	100	SBC	7.250
Sammi Steel Co.(f)★★§†	70	1996	-	4	100	Credit Suisse	4.000
Wiener Holding†	50	2001	-	7¼	101	Wirschafts & Privatbk.	7.109
GECC†	125	1995	-	7¼	101½	Credit Suisse	6.815
Luebecker Hypo'bank.★★†	75	1996	-	7⅝	101¾	Deutsche Bk (Suisse)	7.202
Kobayashi Metals(n)★★♦	40	1995	-	4½	100	Wirtschafts & Privatbk.	4.500
LIRE							
Commerzbank Fin.Co.†	150bn	1996	5	11.70	101.775	Banco di Roma	11.226
American Int.Group†	200bn	2001	10	11.70	101.80	Bco.Nazionale d'Lavoro	11.394
AUSTRIAN SCHILLINGS							
Petroleos Mexicanos†	500	2001	10	10¾	100¼	Creditanstalt-Bkverein.	10.709
PESETAS							
Inter-American Devt.Bk(i)†	10bn	1998	7	11¼	101¾	Bco.Santander	10.886
GUILDERS							
EIB†	300	2001	10	8⅞	101¼	Rabobank Nederland	8.685
SWEDISH KRONOR							
Nordic Investment Bk†	500	1999	8	10¼	101	Unibank	10.048
YEN							
Tokyu Land Corp†	20bn	1997	5¼	6.45	101½	Yamaichi Int.	6.109
Kitz Corp†	10bn	2000	8¼	6½	101½	Daiwa Europe	6.263
Kingdom of Belgium†	50bn	1998	7	6	99.65	Daiwa Europe	6.062
Daikin Industries†	30bn	1999	7¼	6.35	101⅜	Daiwa Europe	6.110
Nippon Sanso Corp†	10bn	1997	5¼	6.4	101⅜	Yamaichi Int.	6.088
Nippon Sanso Corp†	10bn	1997	5¼	6.4	101⅜	Daiwa Europe	6.088
Nippon Sanso Corp†	10bn	2000	8¼	6.4	101¼	Nikko Europe	6.202
Keio Teito Electric Rlway.†	30bn	1997	5¼	6¼	100	Daiwa Europe	6.247
LUXEMBOURG FRANCS							
Electrolux★★†	600	1995	4	9⅜	101⅞	BCEE	8.808
D'Ieteren Trading BV★★†	600	1994	3	9½	102.05	BGL	8.709
Eurofima(g)†	1bn	2001	10	9	102¼	BCEE	8.659
Is.Bco..S'Paolo (Nassau)(j)†	1bn	1998	7	9⅜	101.90	BGL	9.003

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate notes. †Final terms. a) Conversion premium fixed at 2½%. Non-callable. b) Exercise premium fixed at 2½%. Callable 14/11/93 at 101% declining ½% annually. c) Special purpose vehicle of Automotive Financial Services. Coupon pays 65bp over 3-month Libor. Non-callable. d) Fungible with existing £300m issue. Non-callable. e) Redemption linked to performance of company's shares over life of bond. Non-callable. f) Put option 31/12/94 at 113¾% to yield 8.062%. Conversion premium fixed at 16.5%. g) Callable 1999 at 100½% and 2000 at 100¼%. h) Coupon pays 35bp over 6-month Libor. Callable, once only, 12/12/94 at par, if call not exercised, deal will pay fixed coupon of 9⅛% thereafter. i) Matador issue. Non-callable. j) Issued on fiduciary basis by BGL. Non-callable. k) Amortisation schedule, average life 1.8 years. Coupon payable semi-annually. Non-callable. l) Non-callable for first 2 years. Coupon payable semi-annually. Conversion premium fixed at 19.47%. m) Coupon pays 20bp over 6-month Libor. Spread increases by 30bp if withholding tax becomes payable. Non-callable. n) Callable 4/12/93 at 101% declining ¼% semi-annually. o) Undated issue. Coupon pays an opening coupon of 1% over 4-month Libor. Alternate margin – 1¼% over 6-month Libor for years 1-5, then 1.65% over 6-month Libor years 5-10, then 2.4% thereafter. Non-callable. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Projections promote bullish view

A SEE-SAW week in the gilt market ended with prices up a fraction and with relatively bullish projections for the outlook for the next few days.

Starting today with figures on UK credit and retail sales numbers for September, the government is this week publishing economic statistics that should prove generally positive for the market.

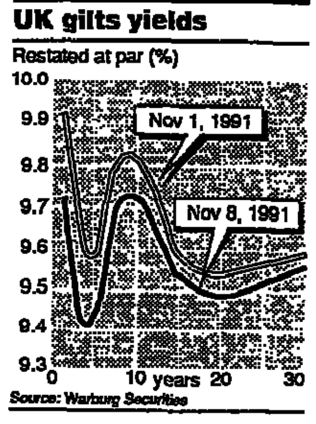
The figures – which include details of producer price inflation and last month's labour market data – culminate on Friday with the expected news that last month's rate of rise in the retail prices index was about 3.5 per cent, well down on September's 4.1 per cent.

All data are likely to underline the weakness of inflationary pressures in the UK economy, a development which will probably reduce gilt yields and increase prices.

At the end of last week, fears about a large volume of issues over the next few years due to rising public sector deficits were temporarily overshadowed by what many gilt specialists interpreted as a less than disastrous showing by the Conservatives in Thursday's by-elections.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Despite the failure of the Tories to win any of the seats being contested the polling details provided some comfort to those in the market hopeful that the Conservatives will win next year's general election.

Consequently, on Friday the market pulled ahead by ¾ point, after a fall of ¼ point on the previous day as the market digested the implications for public sector deficits from the government's mid-week Autumn Statement on the economy. On Wednesday, gilts had been boosted ½ point by a cut in US interest rates and the subsequent strong showing of US Treasury bonds.

The Autumn Statement projections took a while to sink in to gilt practitioners as many of the most interesting messages were buried in the text, or left unstated. As a result of the £11bn increase in spending pencilled in for the coming financial year, the government appears to be looking ahead to a public sector borrowing requirement in 1992-93 of about £19bn.

Many City economists think this is on the low side, and are projecting a deficit of £24bn or more. This takes into account the likely pattern of tax revenues next year which, due to the recession, may be significantly less than the Treasury expects. The 1992-93 PSBR would follow a £10.5bn deficit forecast for 1991-92 by the Treasury; in practice, however, this year's deficit could turn out as high as £12bn.

This arithmetic leaves the gilt market looking ahead to a programme of issues of around £30bn in the year beginning next April, a programme that could cause severe indigestion and pull down prices. Looking still further ahead, Mr Gavyn Davies, chief UK economist of Goldman Sachs, believes the PSBR will continue to stay high, and projects figures for 1993-94 and 1994-95 of £19.5bn and £13bn respectively.

The pressures of funding over the next few years were underscored by the Bank of England's announcement on Friday that it is to hold the latest of its series of gilt auctions on November 27, when it is likely to sell between £1bn and £2bn of long-dated stock in the maturity range from 2006 and 2011. The details of the stock and the amount to be auctioned will be announced on November 19.

Although many gilt specialists feel uncomfortable about the scale of the likely programme, they are not looking beyond next June – by when the general election must be held. If the rise in public spending announced by the government last week results in a fourth term for the Tories, then many in the gilt market will be satisfied. They will be able to worry about the funding later.

Peter Marsh

GERMAN BONDS

Bund futures stage rally on tax hopes

BUND futures markets staged a rally last week, partly as a result of the cut in the US discount rate. But there is another reason: hopes for a palatable solution to the sensitive question of the taxation of interest income are rising.

Expectations are mounting that any reimposition of withholding tax on interest income will not apply to foreign investors. In 1987, the surprise decision to impose the tax drove some DM85bn of foreign investment out of Germany. The move was revoked in 1988, but disquiet over the issue was revived in June of this year when the Supreme Court in Karlsruhe ruled that it was unconstitutional to rely on taxpayers' declarations for the taxation of interest income. By tomorrow – possibly by the end of today - the government will end uncertainty and reveal how it intends to comply with the ruling.

"It is as though fear has just drained out of the market," said Mr Larry Anderson of the fixed income research department of Deutsche Bank in London, commenting on the 1-point gain in the Liffe long Bund and a fall in yields in the cash market market from 8.5 to 8.25 per cent last week. "Foreign investors are buying here like crazy," said one Frankfurt trader last Friday, witnessing a similar surge in prices on the DTB.

So far, the optimism is based on a report last week in the Munich-based Suddeutsche Zeitung newspaper. This suggested that the committee of Bundestag members advising the government had decided that foreign investors would be exempted from the tax.

The report - which also said that the rate of tax would rise from 10 to 25 per cent and that domestic investors would get fairly generous exemptions - was denounced as "pure speculation" by the MPs concerned.

Whether yields will fall further depends on wider questions than how the government implements the Supreme Court decision. Traders are happy that the short-term outlook is looking brighter but are conscious that the medium-term prognosis for inflation and interest rates is far from being positive.

In their autumn report, the five German economic research institutes predicted a rise in consumer prices of 4 per cent during 1992, compared with the expected 3.5 per cent this year. Year-on-year inflation is expected to peak at 4.5 per cent in the first half of next year as this year's pay settlements take effect. Taking into account higher oil prices, the figure could peak at as much as 5 per cent.

Thus, despite the apparent stagnation of the economy in western Germany, traders believe that the Bundesbank is likely to raise interest rates before it cuts them again.

David Waller

NRI TOKYO BOND INDEX

December 1983 = 100	07/11/91	Average yield (%)	Last week	12 wks ago	26 wks ago
		PERFORMANCE INDEX			
Overall	164.73	6.13	164.58	158.76	154.46
Government Bonds	162.75	6.00	162.07	156.67	152.18
Municipal Bonds	167.03	6.34	166.92	160.81	156.32
Govt.-guaranteed Bonds	169.49	6.38	169.36	163.34	159.09
Bank Debentures	161.10	6.02	160.90	155.61	151.52
Corporate Bonds	167.55	6.75	167.20	161.07	157.48
Yen-denom. Foreign Bonds	172.40	7.14	172.17	166.50	161.94
Government 10-year†	6.05		6.03	6.42	6.63

† Estimated par yield

Source: Nomura Research Institute

US MONEY AND CREDIT

Rate cut by Fed sparks criticism

LAST WEEK was an interesting, not to mention difficult, five days for the US bond markets.

In a move that analysts could not remembering having seen before, the Federal Reserve cut the discount rate and lowered the Fed funds rate smack in the middle of the Treasury's quarterly refunding programme.

The decision to ease after the first leg of the refunding round, but before the second and final legs, was heavily criticised, both in the markets and by sources at the Treasury.

The Treasury was upset because it blamed the poor demand for Tuesday's $14bn sale of three-year notes on the Fed for having cut rates during the refunding programme. Treasury officials were upset because confusion about the timing of the widely-expected Fed ease created huge uncertainty at just the wrong time – when dealers and investors were trying to judge demand for the auction.

After the rates cut on Wednesday, traders asked themselves a number of questions. Were there political motives behind the easing? (The White House, rattled by the decline in President George Bush's popularity, had been on the Fed's back demanding interest rate cuts all week.) Or did economic motives prick the Fed into action?

Or, again, did the Fed cut rates because the first refunding auction had gone so badly and it needed to rescue the second two rounds for the Treasury?

The answer was probably a mixture of all three, although the economic case for another reduction was certainly the most compelling.

Bond traders and investors were not just confused. They were angry because Mr Alan Greenspan, the Fed chairman, had appeared to signpost an easing late in the previous week in a speech to Rhode Island businessmen. This put everyone on their guard for a rate cut on Monday or Tuesday morning, and persuaded the market to price an easing into the three-year issue being auctioned on Tuesday.

When the Fed failed to act, investors took another look at the three-year issue and walked away. The result was one of the most unsuccessful auctions in recent memory. The lack of demand pushed the average yield down to 6 per cent, the lowest since 1974, and the number of bids submitted was half the normal rate.

Although the 10-year auction on Wednesday fared better, demand was still weak. The auction ended with another low average yield and further declines in secondary market Treasury prices.

Thursday's 30-year bond auction, however, prevented a complete rout. In defiance of traditional investment theory (which holds that shorter-dated securities are easier to sell than longer-dated paper) investors rushed to bid for the $12bn in newly-minted bonds, and the sale was completed with a decent average yield and strong demand.

Those market participants who had shunned the three-year and 10-year issues seemed attracted to the 8 per cent yield on offer with the 30-year, and bid aggressively in the hope that over the next year the bonds would outperform other securities further down the yield curve, especially if inflation proved to be as unthreatening as predicted by most economic forecasts.

If the Fed's decision to cut rates in the middle of the refunding round was not bad enough, traders and investors last week had to cope with new auction rules, introduced by the Treasury in the wake of the Salomon scandal.

There were two main changes that mattered: one allowed all registered broker-dealers to submit competitive bids for customers, and not just the 39 primary dealers as before, and the other allowed non-competitive bidders (small institutional and retail buyers) to bid for $5m in bonds, and not just $1m as before.

There was some speculation that the first two refunding auctions went poorly because primary dealers had held back their bids in protest at the Treasury-imposed changes.

Although this argument did not stand up too well after the 30-year auction ended so successfully, there was no disguising the disquiet among the established primary dealers last week, who were frustrated that other firms who were able now to come in and bid if the auction looked like going well, also enjoyed the luxury of being able to stay away if it looked like going badly.

Patrick Harverson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	4.63	4.88	4.75	11.00	2.00
Three-month Treasury bills	4.75	4.88	5.09	8.29	4.75
Six-month Treasury bills	4.86	4.96	5.20	7.70	4.86
Three-month prime CDs	5.00	5.10	5.40	7.17	5.00
30-day Commercial Paper	4.92	5.00	5.25	7.12	4.92
90-day Commercial Paper	4.96	5.06	5.30	7.02	4.96

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk ago
Seven-year Treasury	100¼	+1¼	7.07	7.14	7.17
20-year Treasury	114[illegible]	+[illegible]	7.72	7.76	7.73
30-year Treasury	102[illegible]	+[illegible]	7.90	7.93	7.88

Source: Salomon Bros (estimates).

Money supply: In the week ended October 28, M1 rose by $1.0bn to $883.8bn.

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	103¼	+¼	6.23
ABN 9 1/8 94	200	105¼	-¼	6.98
AETNA LIFE & CAS 7 3/4 16	200	100⅜	+⅝	7.66
ALBERTA PROVINCE 8 5/8 96	750	105⅝	+¼	7.31
ALBERTA PROVINCE 9 3/8 95	600	107⅜	+¼	7.03
AMERICAN EXPRESS 0 00	450	46¼	+¼	8.85
AMERICAN GENERAL 9 3/4 95	100	104⅞	+¼	8.12
AMERICAN INTL 0 04	750	34½	+¼	8.69
ASIAN DEV BANK 0 04	1000	35¼	+⅛	8.51
AUSTRALIA 11 95	200	111	+¼	7.34
AUSTRALIAN WHEAT 9 1/2 93	200	105⅛		6.55
[illegible]				

	Issued	Bid price	Chg on week	Yield
SAS 10 1/8 95	150	107	-⅛	8.03
SBAB 9 1/2 95	500	107⅝	+⅛	6.98
SEAGRAM CO 8 1/2 96	100	101⅝	+⅛	8.10
SEARS O/S FIN 0 98	500	56⅝	+⅛	8.93
SEARS O/S FIN 11 5/8 93	150	107⅝	+⅛	7.25
SEARS ROEBUCK EURO 9 3/4 95	500	106¼	+⅛	7.59
SNCF 7 1/4 94	175	102¼	+⅛	6.12
SNCF 9 1/2 98	150	109⅛	+⅛	7.69
STATE BK NSW 8 1/2 96	200	103½	+⅛	7.56
STATE BK STH AUST 9 1/4 93	100	103½		6.22
STATOIL 7 5/8 94	200	101¼	+⅛	6.99
STH AUST GOVT FIN 8 3/4 93	100	103¼	+⅛	6.27
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	86½		7.36
AUSTRIA 4 3/8 93	100	96½		7.39
CHUBU ELEC POWER 6 3/4 01	300	98	-¼	7.04
COUNCIL EUROPE 4 3/4 98	250	87		7.41
EEC 5 1/2 00	100	88½	-1	7.29
EIB 6 1/2 98	600	97¼	-¼	6.99
ELEC DE FRANCE 7 1/4 06	100	100⅛	+¼	7.19
FINLAND 5 3/8 95	150	93½	-½	7.31
GENERAL MOTORS 7 1/2 95	100	100½	+¼	7.38
JAPAN DEV BK 5 1/2 94	100	95¼		7.68
KOBE 6 3/8 01	240	94	-½	7.25
[illegible]				

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = Current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on November 8

A FINANCIAL TIMES SERIES: Part 9

EUROPEAN FINANCE AND INVESTMENT

THE UK

Has the BCCI affair damaged the Bank of England's reputation? Have the banks reached their bad-debt peak? Can the smaller life companies hope for an independent future? And how big are the losses at Lloyd's? The months leading up to the general election will not be dull, predicts **Robert Peston**

The City strives to stay ahead of Europe

POLITICS HAVE dominated conversations in the City since the beginning of the summer.

Bankers, brokers and insurers are convinced that the timing and outcome of the UK general election, which must take place by July 17 next year, are vital to the performance of their businesses.

"The management of the economy is what concerns us more than anything else affecting our business," explained Sir Nicholas Goodison, chairman of the British Bankers Association, the UK-based bank trade association, and also chairman of TSB Group.

This obsessive election speculation is not a sign that the past year has been uneventful in other respects for financial-service firms, nor that the coming months will be dull. Insurers, banks, fund managers and securities firms all need to respond to a raft of strategic issues.

A great concern of many financial institutions is whether the Bank of England's reputation is likely to be damaged by the results of the official inquiry, headed by Lord Justice Bingham, into the supervision of the Bank of Credit and Commerce International during the years before it collapsed. Although BCCI's domicile was not the UK, its most substantial operations were in the country.

The question is whether the Bank of England moved early enough to curtail BCCI's operations. "My guess is that the Bank of England did what it could, given the constraints," commented Sir Nicholas. "The Bank of England's supervisory system is very efficient."

The longer-term political development of overwhelming importance to the City is the evolution of the European Community and its effect on financial business in the UK. The Department of Trade and Industry, egged on by City representatives, has been fighting battles all year in Brussels to modify drafts of assorted directives.

The following UK practices and firms appeared to be at risk on the basis of early drafts:

- The UK system of underwriting shares, which involves a primary underwriter taking a huge exposure to an issue for a short period;
- The UK self-regulatory system of policing takeover bids; and
- Small investment firms, unable to meet proposed new capital requirements.

However, the DTI has to date been successful in amending the relevant directive drafts or delaying their implementation, pending further negotiations.

The latest EC issue to cause concern is a proposal to link the bank payment systems of member countries. There is a risk, according to British banks, that the unification measures would increase the danger that the collapse of one bank could infect others.

City firms tend to be more in favour of European monetary union than politicians of either party. On the other hand, they are surprisingly unperturbed by the question of whether a EuroFed, the mooted central bank for the European Community, should be sited in London or elsewhere. "Wall Street thrives, even though the Federal Reserve is located in Washington," commented Sir Nicholas.

Among more immediate issues, banks need to assure themselves about whether they can prevent bad debts from escalating to the extent that the losses severely erode their capital. In the first six months of 1990, the four big UK clearing banks made provisions of £2.03bn in aggregate to cover the expected cost of domestic bad debts.

At the moment, the risk capital ratio of all big UK banks comfortably exceeds the 8 per cent international standard. Indeed, big UK banks appear strong compared with many of their US and Japanese rivals, which is allowing them to improve lending margins on loans to big companies.

The banks are all hopeful that bad debts will not escalate to the extent that this capital ratio drops dangerously. However, Tom Frost, chief executive of National Westminster Bank, is in effect a spokesman for his peers when he says that he cannot be sure that the bad-debt peak was reached in the first half of the year – though analysts believe the peak for NatWest was May.

Alan Harper

A lofty view? London can no longer afford one as continental rivals increase

Mr Frost said that bad debts are continuing at a high level. He also pointed out that there tends to be an increase in corporate collapses when the economy revives after a recession. The reason is that an increase in demand for a business's product often leads to an increase in its working capital requirements. An overstretched business will not be able to finance this.

A longer-term issue for banks is how to improve their underlying profitability. One way is to prevent a recurrence of such severe bad debts. NatWest has been among the first to rise to this challenge, by giving the brand new job of improving its credit controls to John Melbourne, a senior director.

But all the banks are doing their best to boost profits by cutting costs, normally through reducing staff and computerising administrative functions. They are also increasing the range of products they sell. To this end, Abbey National has just acquired Scottish Mutual, a life assurer, and NatWest has set up a joint venture with Clerical Medical, another insurer.

Indeed, the insurance industry is facing problems of similar magnitude to the banks. All the big banks and building societies either own or have exclusive marketing arrangements with particular life companies. Many life companies which are not linked to a bank or building society branch network in this way are therefore having to rethink their arrangements for selling insurance.

Analysts believe that smaller life companies, with low solvency ratios, are under such competitive pressure that they will be forced to sell themselves – either to bigger UK peers or to continental insurers.

French and German insurance firms tend to be far bigger than UK ones, and they are believed to be interested in expanding their presence in the UK. Earlier this autumn, Union des Assurance de Paris made a long-term commitment, in partnership with South Africa's Liberty Life, to back Sun Life. Liberty and UAP own 60 per cent of Sun Life between them.

Meanwhile, UK general insurers have suffered significant losses from a sharp rise in subsidence claims. A handful of firms, led by Eagle Star and Royal Insurance, have made – or are expected to make – big provisions to cover the cost of claims on mortgage insurance policies, due to the long recession in the housing market.

But these debits pale into insignificance compared with the losses at Lloyd's of London for 1989 and 1990, which have been estimated though they will not be disclosed formally till 1992 and 1993.

Earlier this year, Lloyd's reported a £510m pre-tax loss for 1988, its first loss for more than 20 years. However, the market's exposure to catastrophes, notably Hurricane Hugo in September 1989 and the European storms of January 1990, mean that losses are expected to be far worse in 1989 and 1990 – more than £1bn before tax in 1989.

As a result of the losses, around 5,000 names – the wealthy individuals whose capital backs underwriting – are expected to leave the market this year. This reduction in underwriting capacity increases the threat from foreign competitors, such as the big German and Swiss reinsurers.

On the other hand, the international market share of the London equity market appears to be still rising. Just under two-thirds of the world's foreign share turnover is estimated to take place in London. Last year, turnover in non-UK shares equalled that in UK stocks.

At the same time, the London stock exchange's reputation has been tarnished by the continuing delays in attempts to introduce an automated settlement system, Taurus, and simultaneously abolish the two-week account period in favour of a rolling three-day system. Paris's settlement system has for some time been more efficient.

However, the City has now recognised that all its sectors face a competitive threat from Frankfurt, Berlin and Paris as the single European market evolves. Indeed, the Corporation of London, the City's local authority, is funding the most ambitious research project ever undertaken, to assess the structure and costs of the City and make recommendations on how the its edge can be sustained.

The final results are not due for three years. In the meantime, continental centres, with their relatively well capitalised banks and insurers, are unlikely to cease hostilities.

Yes, time is passing, and Europe is watching

Picture: Ashley Ashwood

The economy: **Rachel Johnson** looks beyond the green shoots to

The botany of recovery

AT LAST, it seems as if the government's green shoots of an economic spring have taken root in firmer ground.

Recent surveys from the Association of British Chambers of Commerce, the Institute of Directors and the Confederation of British Industry have discerned third-quarter movements in business confidence ranging from "marginal" rises (the CBI) to "leaps" (the ABCC).

A forecast from the London Business School adds a scientific, statistical analysis to the survey's anecdotal headline conclusions, which are basically fashioned from company managers' ticked answers to format questionnaires.

The LBS suggests that the recession is finishing, output having fallen 3.7 per cent from its peak in the second quarter of 1990. In the third quarter of this year, output is to be lifted by the simple fact of higher oil production in the North Sea after years of low extraction levels. Current activity is distinguished from the last 12 months of deep recession by modest recoveries in output and demand.

Retail sales are gently rising, not on a month-on-month basis but according to a less volatile quarter-on-quarter comparison. Volumes between July and September were 0.6 per cent up on the previous three months, and the Retail Consortium described a "small but encouraging improvement" in shop sales compared with August.

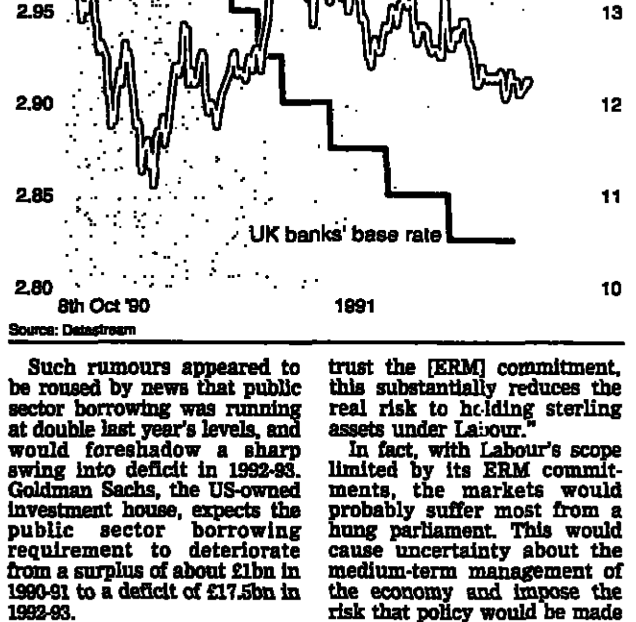
In October, in between celebrations of sterling's first year as a member of the European exchange rate mechanism, the government spotted "unmistakable" signs that the recession was ending.

Employment officials judged that the monthly increase in unemployment averaged 40,000 a month, slashing their estimate from a previous 60,000. This was after they had released figures showing a rise of 35,700 in September – the smallest for a year – which took the total almost to 2.5m.

Better still, the UK inflation performance over the summer and autumn enjoyed comparisons with Germany's, falling to an annual rate of 4.1 per cent in September, after double-digit levels a year earlier.

Still, the bad news has not entirely gone away in the economic spring of autumn 1991. The unemployment figures came shortly after rumours – which emanated from the joint World Bank/International Monetary Fund meeting in Bangkok – that Mr Norman Lamont, the chancellor, was to delay the annual Autumn Statement because the economy was still in poor shape.

Sterling's year in the ERM



Source: Datastream

Such rumours appeared to be roused by news that public sector borrowing was running at double last year's levels, and would foreshadow a sharp swing into deficit in 1992-93. Goldman Sachs, the US-owned investment house, expects the public sector borrowing requirement to deteriorate from a surplus of about £1bn in 1990-91 to a deficit of £17.5bn in 1992-93.

Though the rumours were scotched, the implications of a sickly economy affecting the timing of the election, and one of the two great set-piece economic events of the calendar, the Autumn Statement, lingered on.

But preoccupations have now decisively shifted away from recession to recovery, the question of how strong the economy will be when the government calls an election sometime during the first six months of next year, and the effect of the election.

The market implications of a Labour government are still generally thought to be negative, even though John Smith, the shadow chancellor, has promised that he will not devalue sterling even if he moves the pound into narrow fluctuation bands within the ERM.

For that reason, the imagined knee-jerk reaction to a Labour government is not thought to be justified, on the basis that the UK's membership of the ERM precludes a high-spending, devaluing government of all political persuasions.

"Many public commentators appear to be living still in the 1970s and have not recognised a relative metamorphosis by the Labour party," says Goldman Sachs. "If the markets can trust the [ERM] commitment, this substantially reduces the real risk to holding sterling assets under Labour."

In fact, with Labour's scope limited by its ERM commitments, the markets would probably suffer most from a hung parliament. This would cause uncertainty about the medium-term management of the economy and impose the risk that policy would be made on the hoof to alleviate short-term conditions.

Until then, it is the economic uncertainty surrounding the bumpy rise from recession to recovery that is to the fore. Monetarism, too, has had something of a revival as economists attempt to predict the path of the recovery in trends in the money supply.

Observers of narrow (M0 – basically notes and coin in circulation) and broad money (M4) see that *a sharp deflation* of the economy is in progress. They perceive credit and money developments as similar to those that preceded the depression of the 1930s. They warn that the monetary aggregates are indicating that output will be flat for both this year and next, basing their arguments on the relationship of turning-points in the growth of real gross domestic product and M4 growth.

Lord Rees-Mogg, once editor of The Times, wrote a provocative piece for The Independent, claiming that monetarists "were right" about the Barber inflation, the success of the early Thatcher disinflation, the Lawson inflation and the current recession. Following this, there were a spate of articles by economists and commentators predicting a slow, hesitant recovery, on the premise that the growth rate of M4 has come down to an annual 6.4 per cent, from 14.7 per cent in September 1990.

This slowdown in M4 has led to intensified interest in the behaviour of broad money, even though none of the aggregates has a good record. In the late 1970s and early 1980s, M3, the government's preferred aggregate, grew outside its target range, even though the economy was in recession. It has since been dropped as a targeted measure.

Equally, there are those who read little into the plunge in the growth of broad money, and say it is a consequence of a reshuffling of debt, not a harbinger of prolonged recession. Professor Wynne Godley, currently on attachment to the Jerome Levy Economics Institute of Bard College, in the US, has disputed Lord Rees-Mogg's claims of monetarist accuracy, and has pointed out how the relationship between activity and aggregates broke down in the 1980s.

For, despite the slowdown in M4, Gavyn Davies, of Goldman Sachs, like the economists of the London Business School, remains confident that consumer spending and a drop in the savings ratio will lead the recovery – just as a drop in consumption in the third quarter of last year caused the recession. Investment spending, however, will remain very depressed, while there will not be enough of a recovery in world trade for exports to pull the economy out.

All this is spurred by the sharp fall in forward-looking real interest rates. The government lowered the bank base rate to 10.5 per cent from 15 per cent last October – when retail price inflation was around an annual 10.5 per cent. Now, base rates are at 10.5 per cent and RPI inflation at 4.1 per cent. Real – rather than forward-looking – interest rates have thus *risen* from around 3.5 per cent to 6.5 per cent.

On a forward-looking basis, though, they have fallen: in 1990, when nominal interest rates stood at 15 per cent, the inflation *expectation* for 1991 was for 4 per cent annual RPI. On this basis, real interest rates have fallen from 10.5 per cent to 7.5 per cent.

However, investors should take note that interest rates have not much further to fall. The UK's yield advantage over Germany has narrowed to just over one percentage point.

With sterling vying with the French franc for bottom place in the ERM, the maximum that can probably be achieved is a half a percentage point cut in interest rates, the LBS authors predict.

The challenge to the City from continental centres is intensifying, says **Robert Peston**

Property is London's surprise advantage

THE CITY can no longer take for granted its pre-eminence as a financial centre. A recent survey by the London Chamber of Commerce indicated that London's superior position might be threatened by Frankfurt, Paris and Berlin.

The poll of 109 foreign banks operating in London showed that continental cities were likely to attract financial business, because of their relative proximity to the new markets of eastern Europe.

In addition, London was expected to lose the advantage of its widely admired regulatory regime, because the European Commission is harmonising the rules that govern financial markets throughout the European Community.

However, London is not resting on its laurels. In the past six months, the Corporation of London, the City's local authority, and the Bank of England have launched separate initiatives to help the UK financial-service industry to maintain its competitive edge over European centres.

The Corporation is providing £1.5m to fund the most ambitious study ever undertaken of the reasons why the City is an attractive place to do business, and whether it is threatened by foreign competition.

A committee of notables, chaired by Stanislas Yassukovich, former chairman of the Securities Association, is reviewing the progress of the research, carried out by the London Business School, with a view to making recommendations on how the City can improve its position.

The project is expected to take three years to complete. The starting point of the research is a calculation of London's market share in different financial services and how it has changed. Such data is notoriously difficult to find.

A report by the Bank of England two years ago may have fuelled a certain complacency in the City. It showed that UK-based financial institutions had a clear lead in several areas:

- They were responsible for around 20 per cent of international banking.
- They were leaders in foreign exchange trading and the trading of foreign equities.

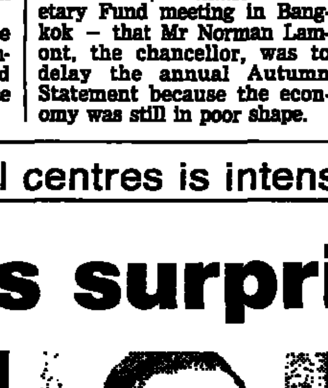
In addition, the London Stock Exchange had an edge over other markets in terms of the number of foreign companies listed on it. There were also few doubts about the relative success of the Lloyd's insurance market.

City optimism has become slightly more muted since then. The Stock Exchange's attempts to modernise its outdated settlement methods through the introduction of the Taurus computerised system have been subject to a series of embarrassing hitches.

At the same time, Lloyd's underwriting capacity has been eroded by a succession of huge losses for the market.

Nonetheless, figures prepared by British Invisibles, lobby group for the financial services industry, show that net overseas receipts of UK financial institutions totalled £14.1bn in 1990, a record figure, and a 10 per cent increase over the previous year.

More than half of these earnings came from the banking sector, whose net receipts were £7.2bn – 18 per cent up on 1989. Insurance income, on the other hand, was down 28 per cent at £2.4bn. Lloyd's underwriting receipts from overseas business, net of claims payouts, was a negative amount, a £489m outflow – the only net outflow in the whole of the 1980s.



Two committee chairmen for changing times in the City: Stanislas Yassukovich (left) and Lord Alexander

There was also a sharp fall in net commissions, fees and other trading revenue generated by dealers operating in securities markets.

Nonetheless, the Corporation's study will not focus on the requirements of particular markets. It will instead look at particular issues that affect all markets.

Professor Richard Brealey, who is heading the project for the LBS, is paying close attention to two aspects of the financial service industry's infrastructure.

He is looking at the role of regulation, in order to make a judgment about when the costs for service providers of implementing rules outweigh the advantages for the City of protecting users of those services. He is also particularly interested in the role of technology on the competitiveness of financial institutions. "We need to understand both the conditions necessary to exploit technology and how technology will affect the location of financial services," he said.

However, this project is not looking at the legal foundation of business in London, which is being examined by a committee set up by the Bank.

The question of whether all contractual obligations in the City are enforceable became an issue at the end of last year, when the House of Lords ruled that swap transactions carried out by banks with local authorities are ultra vires – not legal – and therefore that all such deals are null and void.

Banks were outraged, because they stood to lose hundreds of million pounds in aggregate on deals they felt had been carried out in good faith. Even the Bank of England was unhappy at the outcome.

Several foreign banks have said that the swaps judgment has lessened their confidence in the City. They said the judgment reduced their enthusiasm for committing additional resources to the London market.

So the Bank of England set up a committee, chaired by Lord Alexander, the chairman of National Westminster Bank, to assess the legal basis for doing financial business in the UK. It is currently sifting through a large number of submissions from financial firms on a variety of legal questions.

The thorniest issue for the committee is to identify the financial transactions which can be carried out legitimately by those institutions lacking the status of companies under the terms of the UK Companies Act.

Local authorities, building societies and mutual insurance companies, none of which has this Companies Act status, carry out billions of pounds in complicated financial transactions, such as swaps, every year. But their legal powers to do these deals are not always clear. In the light of the swaps ruling, it is vital that this uncertainty is cleared up.

The committee will probably issue a consultative document this month, and will make recommendations to the Governor of the Bank of England in the spring.

But, for all the threats to London's status, the Yassukovich committee is taking comfort from one unexpected source of competitive advantage. The huge number of property developments in the City undertaken during the late 1980s may have left developers facing punitive losses.

But the result of the excessive building is that London is the only European centre with modern office space and dealing floors available for immediate occupation. Nor is there much possibility of rival cities catching up for years. This is a rare case of the City making a silk purse out of a sow's ear.

Banks have suffered a squeeze on margins in the past 10 years, which shows no signs of abating

Economic pause swells bad debts

FEW BRITISH bankers can remember a more difficult time for their industry. The UK recession has forced record levels of bad debts on them. To add insult to injury, they have also faced a barrage of criticism of their trading practices from politicians and consumer groups.

In the first half of the year, all the big banks suffered sharp falls in pre-tax profits. Indeed, Midland became the first bank in modern times to suffer a loss due to problems in its domestic operations – £71m before tax.

It is not the first of the UK banks to disclose a loss since they began to lift the veil on their operating performance almost 20 years ago. But when banks made pre-tax losses in the 1980s, it was almost always as a result of their exposure to the troubled economies of less developed countries.

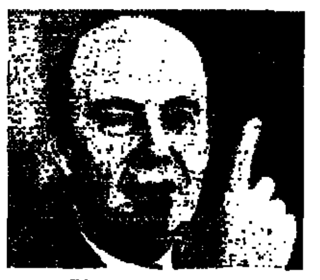
A good indicator of the scale of the problems in the UK market is to compare the banks' provisions against bad and doubtful UK debts with their *total domestic lending*. This ratio was 2.4 per cent on an annualised basis in the first half of 1991, up from 2 per cent in the second half of last year.

"This is far higher than anything witnessed in the early 1980s recession," said Peter Toeman, analyst at the brokers, UBS Phillips & Drew. No data is available for the 1974-75 property crash and recession, but Mr Toeman believes today's experience may be comparable with what happened then.

The main reason for the bulge in bad debts is that a sharp slow-down in economic growth has followed hard on the heels of a boom in borrowing by both companies, especially small and medium size businesses, and individuals. But the size of the lending losses is in part a reflection of the banks' poor credit controls.

"It is difficult to generalise on whether bad debt levels should now improve for the banks," commented Sir Nicholas Goodison, chairman of TSB Group and of the the British Bankers Association, the trade association of all UK banks. *"There is no real sign of the* economy reviving at the grass-roots level".

"1992 will remain difficult," commented Brian Pitman, chief executive of Lloyds Bank. However, Lloyds was the only UK bank whose provisions against bad debts were lower in the first half of 1991 than in the second half of 1990.



Brian Pitman has never seen so many personal bad debts

Banks' bad-debt levels will depend in part on where they are most heavily represented. The recession began in the South of England and has gradually been moving north. So the Scottish banks and those English ones more exposed to the midlands and north, such *as Midland and Barclays, may* continue to suffer from a rising bad-debt charge.

However, the bad debt peak for National Westminster, which collects bad-debt figures centrally every month, was probably in May, according to analysts.

Along with the regional trend to bad debts, there is also a sectoral trend. A handful of big companies with excessive borrowings, such as Polly Peck and Coloroll, ran into financial difficulties early in the recession. Then small companies were hit hard. Indeed, the bulk of bad-debt provisions have consisted of individual charges of less than £500,000.

More recently, consumers have been having increasing difficulty making payments on mortgages and personal loans. With unemployment likely to continue rising well into next year, consumer bad-debt charges are almost certain to continue increasing, according to Chris Ellerton, an analyst at the brokers, Warburg Securities. "There are more personal bad debts than we have ever seen," said Mr Pitman.

The longer-term prospects for the banks, after the recession, are also troubled. In traditional banking, there has been a squeeze on margins over the past 10 years which shows no signs of abating.

When lending to big companies, *margins* have widened slightly from the minuscule levels of the late 1980s. Competitive pressures have lessened as the big US and Japanese banks have reduced their activity in this international market. However, most UK banks complain that the margins are still too narrow.

Sir Nicholas Goodison, chairman of the bankers association, sees no sign of the economy reviving at grass-roots level

There has been a more substantial widening in the mar*gin on loans to small and medi*um-sized businesses. Indeed, this margin increase, around ¾ percentage points on average, prompted accusations from small companies that the banks were acting as a cartel.

The Office of Fair Trading and the British Treasury have concluded that there is no such cartel. However, they concurred that the banks had been treating their small business customers insensitively.

Although lending margins may be improving slightly, the overall margin continues to be under pressure, because of the rising cost of deposits. There has been a strong trend of cus*tomers taking advantage of the* relatively new interest-bearing cheque accounts. In other words, banks are paying more for their funds.

So banks are trying to cut their overheads and derive income from selling an increased range of financial services. The ratio of most big banks' non-interest costs to their income, a measure of their efficiency, was in the range of 68 per cent, *for Lloyds,* to 71.4 per cent for Midland, the worst performer in the six months to June – though Midland succeeded in improving the ratio from 76 per cent last year.

*However, there are two sig*nificant exceptions. Abbey National, the former building society, which concentrates on the personal sector, had a cost-income ratio of 44.8 per cent, and Bank of Scotland's ratio was 52.6 per cent. Most building societies, increasingly in competition with the banks, also have similar low cost-income ratios.

The lower productivity of the bigger banks puts them at a significant disadvantage when *competing* with Abbey, Bank of Scotland and the building societies. So they are trying to cut costs, in the main by reducing staff.

However, their voluntary redundancy and early-retirement programmes carry a significant risk. The banks can often ill-afford to lose their older bankers, who have detailed knowledge of their local communities and valuable lending experience.

So at the same time, the banks are trying to *increase* their income from non-traditional sources, such as the sale of pension plans and life insurance. Like many international banks, they are forming links with life assurers. In the two *latest deals announced this* autumn, Abbey National bought Scottish Mutual, and National Westminster Bank formed a joint venture with Clerical Medical.

Such diversifications may be profitable, but Mr Ellerton believes the banks must tackle a problem much closer to home. "The key problem for them is how much people dislike them", he said.

He estimates that banks spend more than £80m a year on advertising. Yet a recent survey by *Which?*, the Consumers' Association magazine, demonstrated that individuals have a low opinion of them.

Nor does a high level of overheads buy popularity. The banks with among the worst ratios of costs to income, Midland and National Westminster, experienced the highest levels of customer dissatisfaction with their services – a banking version of being caught between Scylla and *Charybdis*.

Robert Peston

Insurance: in the wake of severe losses . . .

Lloyd's capital base is under scrutiny

LONDON'S INSURERS are still assessing the long-term impact of the wave of catastrophe and other heavy insurance claims which shook the market in the late 1980s.

All sectors – including the 200-plus subsidiaries and branches of international companies based in London – have been affected. But Lloyd's of London, the constellation of *insurance interests that gener*ated just over half the market's £10bn-plus premium income in 1990, has been the worst hit.

Losses have helped to focus minds on the shortcomings of its capital base – the system whereby individual members, or Names, back underwriting with their personal assets – and the need for reforms to its complex structure. Losses have come from three directions:

■ In relatively quick succession, European storms (October 1987), hurricane Hugo (September 1989) and a further series of European windstorms (January 1990) provided London with three of its heaviest ever losses, amounting cumulatively to at least £10bn.

In addition, there gas been a *succession of industrial disas*ters, including the Piper Alpha oil-rig explosion (July 1988), the Phillips Pasadena refinery explosion (November 1989) and the Exxon Valdez oil-spill (March 1989).

At a time when competition has driven premium rates to very low levels, the losses have shattered both Lloyd's syndicates and companies that specialise in the high-risk catastrophe reinsurance market. Many of the worst-performing of Lloyd's 400-plus syndicates in the 1988 year – for which a £510m loss was reported in June – specialised in this sector of the market.

Some – such as those managed by Feltrim, Gooda Walker, and Rose Thomson *Young – suffered insurance* losses of over 100 per cent of their premium capacity (the amount of premium income they are permitted to underwrite), and their Names have provided Lloyd's with some of its most vociferous critics.

Losses could prove to have been even worse in 1989 and 1990. Last month, the managers of Bohling syndicates 216 and 383/4 – both of which are exposed to hurricane Hugo and the January 1990 storms – said they faced losses of over £90m. Among the companies, Mercantile & General Re, the reinsurance arm of the UK's Prudential Corporation, reported that its underwriting losses in 1989 and 1990 were sufficient to wipe out 10 years of profit.

■ Losses from US liability insurance represent something *of a running sore for London* insurers. Claims from this so-called "long-tail" insurance business – which emerge sometimes many years after the inception of an insurance policy – are much higher than anyone could possibly have predicted when the business was first written as long ago as the 1940s. And losses are continuing to rise as a result of court awards to asbestosis victims and federally-ordered clean-ups of polluted sites.

The number of syndicates is expected to fall, possibly to 250, compared with 354 this year and more than 400 in 1990

In a number of cases, losses from these sources can still not be assessed, which means that some syndicates are unable to close their accounts for a number of years in the early and mid-1980s. Several thousand Names who want to leave Lloyd's are effectively trapped in the market as a result of their membership of syndicates with such "open years".

Last year, large marine syndicates, such as Wellington, Secretan and Chester, reported big increases in their reserves against liability losses. Charles Sturge, co-author of Lloyd's League Tables, the annual guide to the LLoyd's market, *says that "1990 witnessed a dis*turbing increase in pollution advices" at Lloyd's syndicates.

■ To make matters worse, losses are emerging on standard commercial business – such as the insurance of ships and their cargoes – written in *the last two* to three years, partly because competition there has depressed rates to unprecedented levels. A number of syndicates exposed to neither catastrophe nor US liability could report losses of up to 20 per cent of their premium capacity when they report their 1989 results in June.

Already the losses are producing some restructuring – especially at Lloyd's, where the number of syndicates is expected to fall sharply next year, possibly to as few as 250, compared with 354 this year and more than 400 in 1990. Market *leaders are anxious to promote* these changes – as well as rationalisation among the 100-plus agencies which both manage syndicates and handle the affairs of Names – in order to reduce the costs of doing business and to promote efficiency.

Since early this year, a market task-force under the chairmanship of David Rowland, head of the brokers, Sedgwick, has been meeting, to conduct a wide-ranging examination of the options. One its main goals is the restoration of stability to the market's capital base, in order to stem the exodus of Names and reduce the damaging impact of a tide of litigation involving disillusioned Names and their agents. As many as 5,000 of the 26,500 Names could *leave this year, reducing the* market's capital base of £11.4bn by 10 per cent.

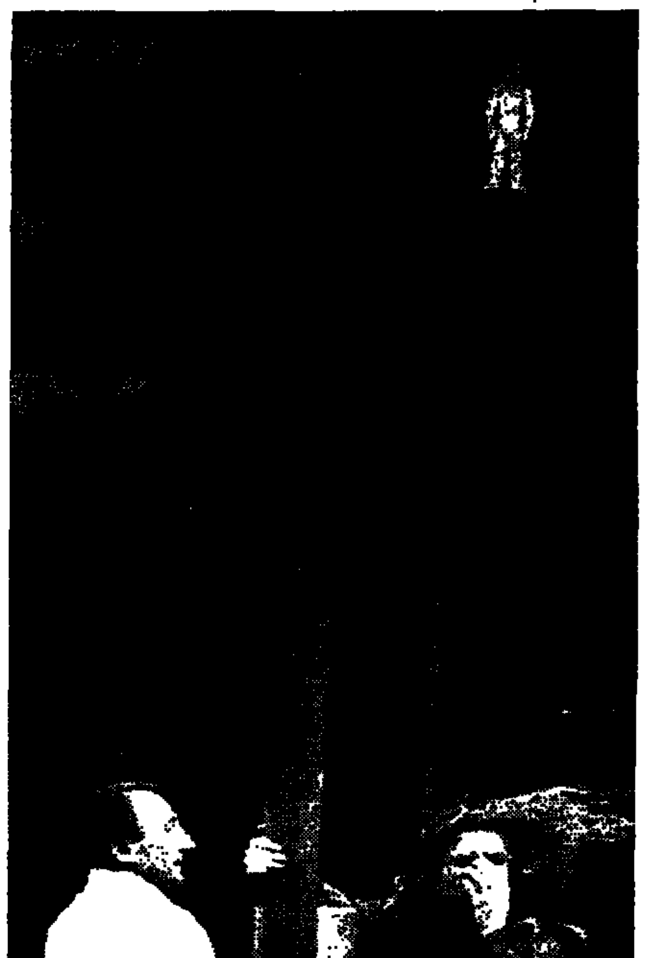
Litigation is concentrated in the UK, where more than 2,000 Names are involved in legal actions; while in North America *four* actions are currently under way, where Names' concerns have dovetailed with concerns among some insurance buyers about the solvency of a minority of syndicates.

Standard & Poor's, the US credit-rating agency, announced last month that it intended to monitor the financial records of each syndicate at Lloyd's, in response to concern from its customers.

Until now, the solvency of individual syndicates has been seen as inseparable from the *Lloyd's market as a whole, and* insurance buyers and regulators have tended to view the prospects of individual syndicates in this broader context.

The task-force has examined a series of possible reforms, ranging from the abolition or *modification of the principle of* unlimited liability of Names, to the possible introduction of corporate Names to Lloyd's.

Richard Lapper



Gone with the wind: London's gales also blew profits away

The securities industry must get to grips with a range of problems that are proving difficult

Delays to Taurus keep costs high

LONDON MAY like to claim that it has become the hub of Europe's securities markets, but it certainly isn't finding the going easy.

Questions over its trading infrastructure and practices, and the continuing lack of adequate profitability among market intermediaries, suggest that further upheaval lies ahead before the City can consolidate its hold on the European equity business.

The bald figures point to the successes that London has already achieved. Since 1985, *when the London Stock* Exchange launched its foreign share price quotation system – Seaq International – trading of non-UK shares in London has mushroomed. Around 90 per cent of Europe's foreign share turnover is now reckoned to occur in London. Turnover in non-UK shares equalled that in UK stocks last year. An informal telephone market existed before 1985, though the lack of a market structure or trade reporting requirements *made it only embryonic.*

The effect of London's success on other stock market authorities in Europe has been dramatic: bourses from Frankfurt to Milan have been galvanised into attempts at reform to win back trading in German or Italian stocks that has been lost to London. But with London's headstart, and the concentration of international fund managers in the city, the lead already established is unlikely to be lost in the short term – provided London can get to grips with a range of problems that are proving difficult to resolve.

Foremost among these is the creaky nature of much of its trading infrastructure. It has two price-display systems, on *which marketmakers show* prices at which they will buy and sell UK and non-UK shares. Both were created hurriedly in the run-up to Big Bang, the deregulation of London's stock market in October 1986. They continue to operate, providing (together with the humble telephone) virtually the extent of the technology devoted to share-trading in London.

Once trades are agreed, a lengthy and convoluted process of confirmation and settlement takes place, which investors and intermediaries find both time-consuming and expensive. For UK shares, change has been planned for 10 years, though it has only become a serious issue in the past three.

An automated settlement system, known as Taurus (Transfer and automated registration of uncertificated stock), was expected originally to have been introduced this autumn. This date was put off until May next year, *due in part to delays in developing the technology,* and in part to the need to introduce complex legal changes to allow the system to operate under the UK's 40-year-old system of company law. It has now been delayed again, to April 1993 at the earliest.

For institutions, stamp duty is the most significant dealing cost. Commission rates fell to a standard 0.2 per cent after fixed commissions were abolished at Big Bang, and a third of trades are now carried out without commission

Delays in automation also mean delays in the abolition of the UK's antiquated "account" system, under which share trades carried out within a given two-week period are (theoretically) all settled on a single day, 10 days after the period ends. Rolling settlement (where all trades are settled a set number of days after they *take place) will follow some* time after Taurus – and reaching the target of settlement three days after a trade laid down by the Group of 30, a think-tank of former economic policy advisers, will take even longer.

On top of the extra costs and risks, the delays to Taurus antagonise investors for other reasons. The UK government said 18 months ago that it would only abolish its 0.5 per cent stamp duty, or turnover tax, when Taurus was launched (it had already cut stamp duty from 1 per cent). Each delay in Taurus therefore means a further delay in cost savings.

For institutions, stamp duty is probably the most significant dealing cost in London. Commission rates fell to a standard 0.2 per cent after fixed commissions were abolished at Big Bang (and a third of trades by institutions are now carried out without commission). Average dealing *spreads quoted on Seaq (the* difference between the price at which market makers buy and sell shares) add a further 0.5 per cent or so each to the costs of of both buyers and sellers, though in practice many institutions negotiate better prices than those quoted on screen.

If trading infrastructure remains a cause of concern, trading practices have also been the subject of much criticism. After a battle with the UK's anti-trust authorities, the *Stock Exchange* has been allowed to retain its rule which allows details of large trades to be kept from the market for 90 minutes. This is designed to allow marketmakers to work out large positions before their competitors are alerted to their exposure.

This apparent lack of transparency has come under intense attack from continental Europe. In London, meanwhile, market participants claim that the 90 minutes should be extended. The London argument received support from an unlikely direction this autumn: the US's Securities and Exchange Commission agreed to allow the National Association of Securities Dealers, which runs the US over-*the-counter share market, to* reduce the transparency of its proposed London-based Nasdaq International system, to allow it to compete more effectively with SEAQ.

While disclosure of large trades remains controversial, dealing in less liquid stocks has also hit difficulties. The UK recession has exposed what critics claim is a weakness in the London market system adopted five years ago: its inability to handle trades in smaller companies. The difference between buying and selling prices in these companies has widened drastically, to an average of 10 per cent. The Stock Exchange is now considering introducing a system of sole traders for these illiquid stocks, under which a single broker/dealer would be appointed to each company. By concentrating orders, this would reduce dealing spreads, it is claimed.

Beneath many of these problems lurks the biggest headache for London's securities markets: overcapacity. The Big Bang reforms brought foreign banks flocking to London, and, despite withdrawals since, there is still too little business *to go round. Last year,* members of the London Stock Exchange lost £350m between them. This came even after they had cut back drastically on excessive cost bases built up at the time of Big Bang.

Stronger stock markets this year mean that returns for intermediaries have been better. However, excess capacity remains a problem which will make the London securities markets an unrewarding place for most participants for the foreseeable future.

Richard Waters

Fund management: foreigners who bought UK firms were seeking synergy. Did they find it? asks **Norma Cohen**

Little scope seen for further acquisitions

IF THERE is one aspect of finance in which the UK holds an international lead, it is fund management. Indeed, the one area where British financial services firms have made inroads into the closed Tokyo markets has been trust banking, where they have been able to capitalise on their fund management skills and attract pension fund business.

Thus, when Bank in Lichtenstein became the first foreign *firm to acquire a large UK fund* manager, GT Management, in March 1989, the strategy was evident. A string of others quickly followed. In April, Société Générale acquired Touche Remnant; and in July, *Germany's Hypo Bank bought* a 50 per cent stake in Foreign and Colonial Management. Then, in March 1990, Banque Indosuez acquired Gartmore; and in May Crédit Commercial de France bought a 25 per cent stake in Framlington with an option to buy another 26 per cent.

However, there has not been a single significant purchase of a UK fund manager by a foreign firm in the past 18 months, and analysts are sceptical about whether there is much scope for further acquisition in the near future. They point to the dearth of available purchases, the price it would be necessary to pay, and uncertainty about the strategy which prompted the acquisition in the first place.

In explaining the rationale *behind the string of purchases,* the analysts point to two factors.

First, the foreigners are hoping to realise some synergy between the UK fund managers' skills and their own distribution base, *which could lead to a new* range of services being sold to existing or new customers.

"They don't have a lot of equity management expertise on the Continent," said Philip Gibbs, financial services analyst at Barclays de Zoete Wedd.

Second, the buyers have all been banks that were anxious to reduce their exposure to traditional lending activities and build up low-risk, fee-based activities.

The second goal, by all accounts, is a more reasonable one. Analysts note that Banque Indosuez's acquisition of Gartmore, for instance, must have proved extremely profitable. In four of the past five years, it has *outperformed the industry aver*age, thus enabling it to attract new pension fund business.

The buyers have been banks anxious to *reduce exposure to* traditional lending activities and build up low-risk activities

However, much of the judgment about whether the acquisition can be viewed as a cash-cow depends on the price paid at the outset. David Poutney, industry analyst at UBS Phillips & Drew, argues that current prices for fund management firms are far too high to justify any further purchases.

Shares in the UK's largest fund manager, Mercury Asset Management, are trading at 1.5 to 1.8 per cent of earnings. "Why would anyone want to pay more for a lesser light?" asks Mr Poutney. Meanwhile, 75 per cent of Mercury's shares are held by SG Warburg, rendering it bid-proof.

However, even the relatively high prices might be justified by potential fee income. UK fund managers charge their clients substantially larger fees than their counterparts in other countries. Unit trust *fund managers*, for instance, charge 100 to 150 basis points of funds under management, compared with 40 to 60 basis points in the US.

But is the synergy strategy realistic? Analysts say the jury is still out, though most are cynical. "The theory is that the banks will be able to use their brand names and their customers' naïveté to get new business out of it. I'm quite sceptical myself," said Martin Green, analyst at Smith New Court Securities.

Mr Green and other analysts point out that many of the European and US banks that rushed headlong into the London markets to acquire securi*ties firms realised precious lit*tle synergy out of those acquisitions. Indeed, many lost their proverbial shirts. Also, the synergy that drove US firms to develop financial conglomerates on their own turf in the mid-1980s has proved a great disappointment to many of them.

The only available targets are smaller, less profitable fund-management firms which have little attraction

"The European view of things has been affected by 1992-itis," said Mr Poutney, explaining the recent fad for continental banks to make UK acquisitions of any sort.

"But in retrospect, the prices the Europeans have paid for their securities acquisitions have been too high."

Meanwhile, the analysts ask, what is there to acquire? "The last thing you want to be in the UK is a bit-player," said Mr Poutney. "You've got to go for critical mass, and in the UK that's a minimum of £10bn in funds under management.

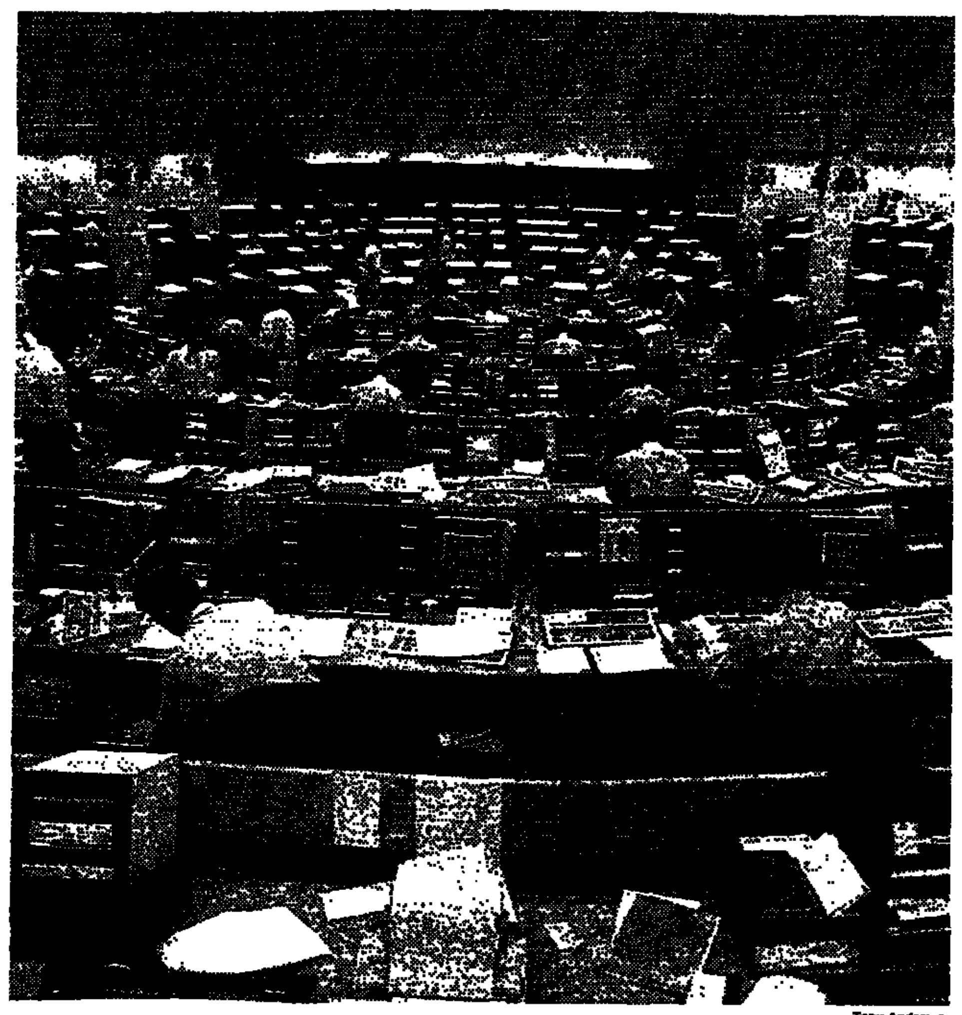
However, the difficulty is that nearly any firm with that kind of critical mass is already *a captive* of another financial services company, or one whose stock is narrowly held. For instance, about 30 per cent of shares in M&G, one of the UK's most prominent retail fund managers, are held by a charitable trust *set up* by the company's founder.

Thus, finding a large, well-run fund manager for sale would prove a tricky business. And there is no point in launching a contested bid for a fund manager.

"It's not an assets business. It's a people business," *said* Mr Andrew Ripper, analyst at Smith New Court. Any hostility in the bid process would cause the manager's most valued staff to depart quickly, sharply deflating the value of the acquisition.

Thus, the only available targets are smaller, less profitable fund-management firms which have little attraction. "Anyone with a good brand name is going to launch their own operation," said Mr Poutney. "Why buy a tin-pot operation?"

However, he speculated that Kleinwort Benson, a merchant bank whose fund management arm has £10bn in its portfolio, could be a target. Banque Nationale de Paris bought a stake earlier this year, though it remains to be seen whether it will seek more.



Tony Andrews

London, with many banks specialising in currencies, is the European currency-trading centre

Foreign exchange: London is dominant, and the ERM offers still more business

End of controls provides a lift

MORE MONEY changes hands each day in currency transactions than in any other market, and London remains the biggest centre for foreign exchange dealing.

But the city also faces challenges, with the move towards European Monetary Union and difficulties as some of its largest players – the large multinational banks – see their credit ratings slip.

London's pre-eminence in foreign exchange is underlined by central bank surveys. The last official report was in 1989, by the Bank for International Settlements. It estimated a global net daily turnover in the currency markets of \$640bn. Of the top three forex centres, the UK has a clear lead with \$187bn changing hands every day, compared with \$129bn in the US and Japan's \$115bn.

In a slightly more recent study, the Financial Markets Group at the London School of Economics tracked currency quotes on Reuters screens, and also found that the London foreign exchange market had the largest share of currency quotations. New York was in second place and Singapore third.

London established its position as a leading foreign exchange centre in the late 1960s, when dollars flowed out of the US and found a home in the less regulated UK market. The early dismantling of the UK's foreign exchange controls in 1979 and the financial services boom of the mid 1980s provided further areas of growth.

Foreign exchange: market turnover (\$bn)

	Net monthly total
United Kingdom	3,740
United States	2,580
Japan	2,300
Switzerland	1,140
Singapore	1,100
Hong Kong	931
Australia	570
France	520
Canada	300
Netherlands	280

Source: Bank for International Settlements, 1989

In more recent years, Europe has been a new area of growth. The gradual lifting of exchange controls within the European Community and the growth of trade inside the EC has created a boom in European currency dealing. London, with its large number of banks specialising in currencies, has been able to draw in the burgeoning market in Deutsche Marks and established itself as the centre for European currency trading.

But London's business is still primarily in dollars. The most active rate remains the dollar/D-Mark, followed by dollar/yen, dollar/sterling and dollar/Swiss franc. As the hub of world dollar trading, London has been able to attract US banks into the City and persuade them to locate their main Treasury operations there.

The problems in the US banking system and well publicised downgradings in their credit ratings have caused difficulties for the US banks in the London market. Customers are looking far more carefully at the credit ratings of the banks they give their currency business to. Foreign exchange managers say they now spend far more time looking at the balance sheets of other banks.

US foreign exchange managers admit that they have suffered because of the bad debt problems of their parent banks in the US. The main beneficiaries have been those banks with stronger credit ratings, such as Swiss, Japanese and UK clearing banks.

In spite of these difficulties, the leading US commercial banks retain a strong presence in the London market with the likes of Citicorp and Chemical Bank still among the largest players. Indeed, while business in the London currency market is still expanding it is being concentrated in fewer hands. Developments in Europe have accelerated this trend.

> London has begun to dominate the market in cross rates, while European cities become niche players

To be a serious player in today's London market, a bank or securities house needs to be able to offer a whole range of currency facilities to its customers. Many banks have developed sufficient expertise in European currencies to be able to attract continental European business.

At Barclays Bank, a desk of seven people specialising solely in EMS currencies has been built up over the last two year. Douglas Bate, Barclay's chief foreign exchange dealer,says there is growing interest from Europe's leading companies in executing its foreign currency business through London.

"London has a reputation for professionalism," he says. "The blue chip European businesses are being serviced out of London and increasingly the continental European capitals are only attracting the second and third tier companies. London is becoming more European."

In the last two years, London has begun to dominate the important market in cross rates (Mark-franc, Mark-peseta, Mark-lira, Mark-yen, and of course sterling-Mark), while Paris, Frankfurt, Milan and others are developing into niche players, concentrating on their national currency.

One sign of this is the important business of intervention which central banks have to conduct when their currency is threatening to break out of its ERM band. Continental European central banks are begining discretely to use the London market for currency management.

This has caused more than just a few eyebrows to be raised in some the continental European currency markets. But London's ability to offer competitive quotations, its professionalism and ability to handle the largest orders attracts the central banks.

Having established itself as the centre for European currency dealing, London is well placed to capture a decent-sized slice of business which comes from new entrants to the ERM. Some banks are already developing expertise in the Portuguese escudo, expecting the Lisbon government to apply for ERM membership in the near future.

The other currency which could take-off in the 1990s is the Ecu. Foreign exchange managers say the Ecu is increasingly becoming a currency in its own right with some companies begining to invoice in Ecu's and also using it as a hedging vehicle against European currency transactions.

Ecu-Mark and Ecu-sterling have been the more popular rates, although Ecu-yen, Ecu-Swiss franc and Ecu-dollar are begining to grow in popularity. Some London banks already have traders who specialise solely in the Ecu, and City practitioners believe London has replaced Brussels as the centre for Ecu trading.

Apart from the immediate concerns about the impact of the credit crunch on US banks, there are other clouds on the horizon for London. If ERM currencies eventually become fixed (as a step towards a single currency) business will contract. However, there is much scepticism in London about whether plans for close monetary integration will work.

The other main worry is location of the operational headquarters for a European central bank. London dealers believe the City is the obvious home for an independent central bank, but fear the UK's reluctance towards greater European political and monetary union may jeopardise its chances of success.

Jim McCallum

International capital markets

Recession spurs bonds

PARTICIPANTS in the London-based international capital market have had a testing year. While aggregate borrowing totalled \$320bn during the first eight months of the year, up 14 per cent up on the same period of 1990, business has been spread unevenly.

The international bond market has probably emerged stronger, but the syndicated-loans and commercial-paper markets have slumped.

The sheer weight of activity in the bond market can be ascribed to the recession. As the US and other major economies have entered recession, with interest rates falling, bonds have been an attractive investment on cyclical grounds. Hence new-issue volume totalled £176bn to the end of September, up from \$122bn on the same period of last year.

In addition, the leading Eurobond firms have established techniques for syndicating new issues which have increased the number of *profitable* deals. There is little doubt that the first half of 1991 was one of the most profitable periods in the history of the Eurobond market.

In particular, the fixed price re-offer technique has been introduced, giving the lead manager of a Eurobond issue greater control over a new issue.

The lead manager of a Eurobond issue sets the price at which other underwriting firms can sell the bonds to investors. Only when the lead underwriter is convinced that the majority of bonds are safely in the hands of end-investors are the bonds allowed to find a market price.

The price-fixing mechanism is designed to stop participants in a deal from selling the bonds back to the lead manager at a discount to issue price. This practice of "dumping" could lead, if participants lost their nerve, to a new issue trading at a substantial discount to the issue price – eroding or wiping out underwriters fees.

> Companies are looking increasingly to tap long-term funding from outside the banking system

More important, "dumping" also drove institutional investors away from the primary market. Fund managers preferred to wait for the price of new issues to fall below issue price before committing funds.

Hence the fixed-price re-offer was aimed at restoring the faith of institutional investors in the primary market and restoring the profitability of new issues. It has partially achieved both objectives, but not without controversy and casualties.

In July, the Office of Fair Trading, the UK competition watchdog, asked seven leading Eurobond firms to explain their syndication practices – following reports of informal meetings among senior syndicate officials.

The replies were satisfactory, and the OFT decided that it had no grounds to mount a full restrictive trade practices investigation.

However, the episode did serve to highlight the divergent interests of the big firms, reliant on institutional investors, and the smaller, retail-based houses which never wanted the introduction of the fixed-price re-offer mechanism in the first place.

The interest of the OFT was not welcomed by the big players, not least because it diverted attention away from other regulatory battles which the Eurobond market is fighting. Most important, the lightly-regulated international bond market is trying to defend its position within the new regulatory framework being evolved by the European Community.

The biggest fear is that the draft Investment Services Directive, currently before EC member governments, could include a provision that all trading of securities should take place on "regulated markets" – a move favoured by the French and other Mediterranean governments.

The Eurobond market would not count as a regulated market, primarily because it has no listing requirements. Hence it would either have to introduce new regulations, quite contrary to its free-wheeling nature, or see business retreat on to national bond markets.

The UK and German governments, backed by the European Commission, do not want legislation which damages existing Euromarket business. The UK government wants to maintain London's position as the centre for Eurobond market. It has said that it will oppose EC legislation which might force firms to move to off-shore centres.

While the Eurobond market enjoyed something of a feast, the loans market has slumped. In the first half of the year, \$99bn new syndicated loans were arranged, against \$184bn in the first half of 1990. Activity has not picked up since.

In part, low demand for syndicated bank credits is the result of recession. Despite fears that companies are facing a credit crunch, with banks unwilling to lend, demand for debt finance has in fact been very low.

Some relief has come from sovereign borrowers. For example, Kuwait and Saudi Arabia have arranged \$5bn and \$4.5bn syndicated credits respectively in the aftermath of the Gulf war.

The biggest *corporate* deals handled by bankers in the past year have been attempts to restructure existing indebtedness rather than to arrange new loans. Some have been fairly routine operations, such as Hanson's recent £5.5bn refinancing following the acquisition of Beazer.

Others have been more fraught, as companies have sought to restructure highly-geared balance sheets. Into this category might fall News International's \$7.6bn refinancing package, among the most complex debt restructurings ever completed.

Mindful of the logistical problems faced by News International in restructuring its debt, other companies have been replacing complex syndicated loan facilities with a series of bilateral arrangements. Recent examples include BP, which reduced the number of banks it deals with from 67 to just 27.

There are also signs that companies are looking increasingly to tap long-term funding from outside the banking system altogether. The international bond market is one option, but only for the largest, highly-rated companies.

Smaller companies, such as Pilkington and NFC, have turned to private placements of bonds, with US pension funds and insurance companies, for example.

Hence the low demand for syndicate bank finance is not just attributable to recession. There are signs that companies are changing borrowing habits, and international banks will have to adapt.

Simon London

Corporate finance

Hostile bids decline as the 1980s lessons are absorbed

THE CITY never really believed Lord Hanson when he told the FT, in an interview last May, that he was no longer interested in making hostile bids.

A few weeks after taking a 2.8 per cent stake in Imperial Chemical Industries, he said: "The one thing we don't want to do is a big hostile bid, anywhere. We don't want to do it in America, we don't want to do it here... The hostile takeover days are over."

Perhaps the chairman of Hanson, the Anglo-American conglomerate, hoped that his forecast would not prove accurate. But it has – and not only for Hanson, which appears to have given up any hope of making a hostile bid for ICI. According to the FT's Mergers & Acquisitions' database, there have been 91 UK public bids since the beginning of May until the end of October. All but eight of them were friendly.

Brian Bollen, editor of Mergers & Acquisitions International, believes the last few months have confirmed a trend of the past year: "The glory, glory days of big takeover deals are now over. And it is questionable whether they will ever return. Most of the players involved in the eighties have learnt the painful, but valuable, lessons from the last spate of big deals, which resulted in companies leveraging themselves up."

The spotlight over the past year has shifted to the Continent. Goldman Sachs, which has cornered the market in defending targeted companies, says that in 1990 around two-thirds of the European bids were based on the Continent, with a third in the UK. In 1987 the reverse was true. Some of the biggest banks based in London, such as J.Henry Schroder Wagg and Morgan Grenfell, now devote a far bigger share of their resources and staff to work on continental deals.

Nonetheless, that did not stop the UK hogging the takeover limelight recently with three big bids: Hanson's £351.4m agreed deal for Beazer, the British housebuilder and US aggregates business; Williams Holdings' £700m hostile bid for Racal Electronics; and BTR's hostile £1.5bn bid for Hawker Siddeley, the engineering group.

> The biggest burst of activity over the past year has been the spate of rights issues, which is expected to slow down

Yet most of the bidders would freely admit that the proposed deals are opportunistic; they are not strategy-driven. As Mr Bollen put it: "It is when the big strategy-driven deals come back that we will know if there is going to be another M&A bull market." If one major food or drinks company, such as Allied Lyons, is bid for, then other major companies in the industry may take action to secure their position.

Derek Higgs, managing director of SG Warburg, believes there is more activity in the UK market, but says people will be disappointed if they expect the "floodgates of activity" to open again. Furthermore, he points out, the banks have no longer got the appetite to underwrite big deals. "Those companies that will be able to raise cash will still be able to do things, but they are still the exception rather than the rule."

However, Mr Higgs does not expect to see a sudden burst of takeover activity on the Continent. "The UK market is still the most sophisticated, in terms of takeovers, in the world. It is far more predictable in Britain. What odds are there of something big happening in Sweden? While in Germany most of the takeovers are cosy, arranged marriages."

This is not a view shared by Schroders, which believes there will be an increasing number of continental deals. Although many of this year's continental mergers and acquisitions took place without either side hiring an independent adviser, Schroders believes that is about to change.

It also believes that there is significant room for an increase in capacity in most of the continental markets. In Germany, companies are gearing themselves up for opportunities in the eastern part their country, while the intricate links between Italian banking and business offer opportunities for UK banks to provide independent advice. This was recently underlined by San Paolo' decision to increase its 50 per cent stake in Crediop to 90 per cent, based on a valuation by Kleinwort Benson.

In contrast to its prediction of increased continental activity, Schroders believes a higher proportion of prospective UK deals will not come to anything. It is not alone in its view that the mergers that take place over the next 12 months are likely to be based on commercial objectives, rather than financial anomalies, involving companies spotting an undervalued company and then bidding for it.

The biggest burst of activity in the UK market over the past year has been the spate of rights issues, which most brokers and bankers expect to slow down after the failure of the Hillsdown rights, with only 48 per cent take-up, and British Aerospace's rights, with less than 5 per cent take-up.

Gerry Grimstone, director of Schroders, says the key to a successful rights issue is the ability to pin it to a good news story about the company. "When the market is more or less fragile, it will still be receptive for the right story, as De La Rue, the printing company, proved with its successful one-for-three £160m cash call. If companies with the wrong story try and raise money, it will make the market more fragile. But it will not stop companies doing it."

One of the problems surrounding rights issues has been the leaking of them days before the company announces its decision to tap the market for cash. This was particularly true in the case of the BAe rights. The company's institutional shareholders were furious to learn of the rights issue before they had been warned that the profit forecast for the year had been cut in half.

Mr Higgs remains relaxed: "Companies planning rights often, out of politeness, chose to tell some of their big shareholders first. As soon as they do that, there is a chance that it will become more widely known. There is little you can do to tighten up the process." He is also convinced that, while the UK market may have passed the peak of the rights issues, it has not seen the end of them.

Roland Rudd

WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices November 8

Quotations in cents unless marked $

INDICES

NEW YORK

DOW JONES	Nov 8	Nov 7	Nov 6	Nov 5	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	3045.62	3054.11	3038.46	3031.31	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.86	97.81	97.63	97.50	97.86 (8/11)	91.30 (16/1)	97.86 (8/11 91)	54.99 (1/10/81)
Transport	1265.70	1281.39	1271.67	1274.29	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.83	219.77	216.45	214.76	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 3080.95 (3066.19) Low 3034.66 (3020.35)

STANDARD AND POOR'S

	Nov 8	Nov 7	Nov 6	Nov 5	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	392.89	393.72	389.97	388.71	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	462.76	463.60	459.71	458.56	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	32.13	32.17	31.58	31.39	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	216.82	217.14	215.30	214.68	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	390.46	388.26	386.65	384.94	390.46 (8/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	548.08	545.28	539.48	538.82	548.08 (8/11)	355.75 (14/1)	548.08 (8/11/91)	54.87 (31/10/72)

	Nov 1	Oct 25	Oct 18	year ago (approx.)
Dow Industrial Div. Yield	3.03	3.09	3.00	4.08
	Nov 6	**Oct 30**	**Oct 16**	**year ago (approx.)**
S & P Industrial div. yield	2.72	2.71	2.73	3.54
S & P Indl. P/E ratio	21.19	21.37	21.17	14.43

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Total	2,763,700	22¼	- ⅛
Amphenol	2,750,900	9¼	...
ICN Pharm	2,677,500	12¾	- 4¼
Wabash	1,883,700	17⅝	...
Amer Cyan	1,860,100	60⅝	- 1¾
Inspiratio	1,854,300	4¼	+ ⅛
Triton	1,841,600	47⅛	- 5⅜
Becton Dick	1,741,900	63⅛	- 9¼
Amer Expr	1,642,000	18½	+ ⅛
Wal-Mart	1,613,900	49	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Nov 8	Nov 7	Nov 6
New York SE	183.513	204.832	167.379
Amex	14.161	15.205	15.107
NASDAQ	211.433	216.078	191.182
NYSE			
Issues Traded	2,146	2,148	2,143
Rises	889	1,078	873
Falls	727	569	714
Unchanged	530	501	556
New Highs	145	157	92
New Lows	9	21	22

CANADA

TORONTO	Nov 8	Nov 7	Nov 6	Nov 5	1991 HIGH	1991 LOW
Metals & Minerals	3060.64	3036.52	3033.96	3056.02	3299.99 (18/7)	2632.06 (9/1)
Composite	3561.96	3546.70	3531.08	3525.71	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1880.99	1868.77	1863.92	1862.56	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov 8	Nov 7	Nov 6	Nov 5	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1696.3	1683.5	1679.0	1692.7	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	663.2	664.1	661.8	669.5	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	415.05	400.46	396.65	396.09	534.81 (16/4)	385.58 (4/1)
BELGIUM						
BEL20 (1/1/91)	1104.35	1102.89	1104.56	1104.57	1212.15 (27/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	367.13	366.24	366.46	367.00	380.04 (2/8)	302.26 (5/1)
FINLAND						
HEX General (28/12/90)	822.2	821.8	821.6	821.4	1186.9 (3/4)	821.4 (5/11)
FRANCE						
CAC General (31/12/82)	494.91	492.65	492.28	492.95	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	1857.55	1838.57	1836.06	1846.91	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	660.31	650.89	651.31	651.85	717.43 (17/6)	570.42 (15/1)
Commerzbank (1/12/53)	1861.50	1834.10	1834.50	1835.20	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1606.22	1578.48	1574.22	1576.12	1715.80 (31/5)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4236.64	4184.74	4173.57	4146.54	4236.64 (8/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1409.21	1414.64	1414.30	1428.57	1520.65 (15/3)	1114.56 (25/1)
ITALY						
Banca Com. Ital (1972)	509.86	512.06	515.13	513.21	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24686.49	24446.76	24750.20	24950.86	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1846.81	1850.41	1864.99	1878.14	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2795.38	2811.25	2822.15	2838.54	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	536.19	533.16	531.67	(c)	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Tst Rtn Gen (End 1983)	282.2	278.4	277.1	277.9	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	198.4	195.8	194.8	195.4	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	705.49	710.31	711.88	699.62	793.53 (26/8)	613.45 (22/1)
PHILIPPINES						
Manila Comp (2/1/85)	1060.86	1053.88	1038.11	1031.74	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	404.06	396.70	395.48	(c)	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1088.0	1114.0	1107.0	1143.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4319.0	4303.0	4263.0	4271.0	4319.0 (8/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	682.03	679.42	679.20	667.04	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	257.72	254.51	256.87	258.95	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1001.10	1006.00	1006.48	1014.90	1149.8 (11/7)	808.4 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	756.6	750.0	752.3	751.4	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	623.5	614.7	612.3	609.1	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4439.49	4424.85	4430.59	4423.43	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	686.03	672.60	663.46	652.95	908.13 (19/4)	582.48 (26/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	525.1*	524.9	524.4	525.2	529.2 (17/4)	439.1 (16/1)

**Saturday November 2: Taiwan Weighted Price: 4299.74 Korea Comp Ex. 684.72.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7 JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable

TOKYO - Most Active Stocks

Friday, 8 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Niigata Eng	6.1	792	-29	Nippon Mining	2.7	571	-9
Toyo Tire	3.3	1,070	-50	Nisshin Oil	2.6	1,100	+30
Howa Machine	3.1	1,100	0	Japan Storage	2.5	1,040	-50
Tokyu	2.9	1,050	-10	Kawasaki Steel	2.5	390	-3
Honshu Paper	2.8	930	-20	Hitachi	2.4	982	-10

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Price data supplied by Telekurs.

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AUTHORISED UNIT TRUSTS

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H

7 West Nile St, Glasgow G2 2PX 0345 090 933

Acumen	5	70 19	70.42	75 16	4 74	46327
Acumen Reserve	3	66.07	66 07	68 04	9 72	46329
American Income	5	130 75	130 80	138 80	3 02	41056
Equity Income	5	82 50	82.50	88 04	5 65	41057
European	5	53 13	53.13	56 59	1 25	41058
Far Eastern	5	109.25	109.30	116.60	1 33	41059
Smaller Cos.	5	48.43	48 43	51 68	2.78	41060
Olympiad	5¼	46.91	46 91	50 06	0 68	41061
Olympiad Income	5¼	43 88	43.88	46 83	5 25	41062
UK Growth	5	75 90	76.54	81 69	1.27	41063

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth				0202 298422		
Cash	1	49.57	49.57xd	50.06	10.6	45296
Cnfrld Primacy	5½	48.67	48.98	52.25	9.18	46075
Ethical	5½	49.43	50.36	53.57	4.67	46048
European Growth	5½	46.82	46.82	49.94	2.8	46171
Income	5½	46.94	47.43	50.59	7.43	41394
Intl Growth	5½	64.30	64.77	69.09	3.36	41395
Managed	5½	58.45	59.13	63.07	4.53	41396
UK Growth	5½	51.41	52.04	55.51	5.54	41397
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS				071-280 6521		
Mngd Exempt Acc	3	196.4	198.8	207.0	2.97	41499
Do Income	3	187.4	189.7	197.6	2.97	41321
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ				0800 393777		
Managed Acc	5¼	35.77	35.77	38.01	2.61	41398
UK Equity Gth Acc	5¼	47.94	48.83	51.89	2.09	41399
UK Eq High Inc Inc	5¼	32.27	32.96xd	35.03	5.68	41400
UK Eq High Inc Acc	5¼	36.28	37.07	39.39	5.68	46962
UK Equity Gen Acc	5¼	46.05	46.81	49.74	3.31	41401
UK Equity Gen Inc	5¼	36.04	36.64xd	38.93	3.31	41402
UK Larger Cos Acc F	7½	301.3	305.3	331.3	4.47	41403
UK Larger Cos Inc F	7½	242.6	245.8xd	266.8	4.47	41404
Gilt & Fxd Int Inc	5¼	27.47	27.54xd	29.13	7.68	41405
Trans Lrg Cos Acc F	7½	211.9	216.1	234.5	2.16	41406
Nth American Acc	5¼	34.17	34.38	36.53	0.73	41407
Far East Acc	5¼	41.50	42.56	45.23	0.23	41408
European Acc	5¼	33.14	34.84	37.02	1.60	41409
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh				031-226 3271		
American ♥	5	282.7	282.7xd	301.6	1.38	41410
(Accum Units) ♥	5	332.7	332.7	354.9	1.38	41411
British	5	813.4	823.4	871.1	5.96	41416
(Accum Units)	5	1336.4	1352.8	1431.2	5.96	41417
European	5	313.1	313.1xd	333.4	1.55	41418
(Accum Units)	5	339.4	339.4	361.4	1.55	41419
Japan	5	115.1	115.1	122.3	–	41420
(Accum Units)	5	116.0	116.0	123.2	–	41421

[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
Funds in Court*				
Capital Oct 17	505.73	509.47xd	2.77	40505
Gross Oct 17	187.84	189.35	10.33	40506
High Yield Oct 17	295.38	297.74	7.39	40507
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	52.48	53.63xd	3.66	40676
INVESCO MIM Management Ltd				
Exempt Funds				
Mngd P'Folio	1180	1281.0	–	46964
Mngd Pens (Acc)	68.1	72.6	–	41007
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	6.00	40777
Inc Gth Prp Apr 16	£1325.0	1460.0	7.20	40778
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Nov 6	£3956.2	4128.9	3.96	40766
European Nov 6	£539.7	545.4	2.08	40776
American Nov 6	£345.7	349.2	2.33	40773
Japan Nov 6	£510.9	516.7	1.26	40774
Pacific Nov 6	£137.0	140.8	1.97	40775
W Midlands Sep 30	£147.60	164.90	2.48	40771
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ		071-588 1815		
Property Oct 31	193.25	197.20	7.85	40825
Equity Oct 31	896.05	908.60	3.97	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Nov 7		101.75xd	10.6	40883
(Accum Units)		600.23	10.6	40884
NAACIF Nov 5		41.57xd	9.46	46917
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity Nov 5	125.0	134.2	2.09	46925

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	107.6	113.3	–	41924
Pension Managed Fd	106.2	111.7	–	41926
Life Deposit Fd	110.5	116.3	–	41923
Pension Deposit Fd	117.1	123.2	–	41925

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Harvester Pension Funds				
Managed	167.4	176.3	–	43141
UK Equity	177.0	186.4	–	43134
Overseas Equity	132.6	139.6	–	43136
Fixed Interest	154.4	162.6	–	43137
Property	133.2	140.3	–	43138
Index Linked	152.0	160.1	–	43139
Deposit	163.4	172.0	–	43140
With Profits (B)	133.8	140.9	–	44128

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	357.1	375.9	–	43163
UK Equity	451.4	475.2	–	43164
Overseas Eq	342.3	360.4	–	43165
American	290.4	305.7	–	43166
Far East	371.0	390.6	–	43167
Property	194.4	204.7	–	43168
Fixed Int	272.9	287.3	–	43169
Indexed Gilt	161.8	170.4	–	43170
Deposit	187.3	197.2	–	43171
With Profit	104.7	110.2	–	44771
Pension Fund (Accum Units)				
Managed	514.6	541.7	–	43173
UK Equity	610.9	643.1	–	43175
Overseas Eq	579.5	610.0	–	43177
American	365.7	385.0	–	43179
Far East	609.6	641.7	–	43181
Property	247.5	260.6	–	43183
Fixed Int	[illegible]	[illegible]	–	[illegible]

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity Acc	229.2	241.5	–	43411
UK Fixed Int Acc	186.7	197.0	–	43412
Intl Equities Acc	174.8	184.4	–	43413
UK Managed Acc	175.8	185.4	–	43414
Property Acc	225.3	237.7	–	43415
Money Acc	133.3	140.7	–	43416
Special Market Acc	150.1	158.4	–	43417
Japan Equity Acc	102.6	108.3	–	46760
North American Acc	103.3	109.0	–	43419
Pacific Acc	94.6	99.8	–	43420
Technology Acc	123.0	129.8	–	43421
Nat Resources Acc	53.4	56.4	–	43422
European Acc	99.5	105.0	–	43424
Residential Prop Acc	94.8	100.0	–	43425
Swiss Equities Acc	33.1	35.0	–	43426
Hong Kong Acc	69.3	73.2	–	43427
UK High Inc Eq Acc	74.1	78.2	–	43428
Int Fixed Interest Acc	60.6	64.0	–	46406
Int Managed Acc	56.6	59.7	–	46407
HIP Managed Acc	116.7	123.1	–	46731
HIP Managed II Acc	102.6	108.2	–	41929
HIP Managed III Acc	110.4	116.4	–	49881
Total Investment Bond				
UK Equity Initial		155.4	–	43429
UK Fixed Int Initial		126.9	–	43430
Intl Equities Initial		117.9	–	43431
UK Managed Initial		119.4	–	43432
Property Initial		154.2	–	43433
Money Initial		91.1	–	43434
Special Market Initial		116.3	–	43435
Japan Equity Initial		79.5	–	46762
North American Initial		80.6	–	43437
Pacific Initial		73.2	–	43438
Technology Initial		95.2	–	43439
Nat Resources Initial		41.4	–	43440
European Initial		89.1	–	43442
Residential Prop Init		90.5	–	43443
Swiss Equities Initial		31.6	–	43444
Hong Kong Initial		66.1	–	43445
UK High Inc Eq Init		70.6	–	43446
Int Fixed Interest Init		58.5	–	46408
Int Managed Init		54.7	–	46409

Shandia Life Assurance Co Ltd—Contd.

Target Life Assurance Co Ltd—Contd.

Equitable Life (International)
Albert Hs, Sth Esp'de, St Peter Pt, Gsy 0481 716021

Independent Financial Group PLC
Windsor Ct, Clarence Dr Harrogate 0423 523311

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St. Peter Port, Guernsey, C I 0481 710461

Lion World Fixed Income Fund
Albert Hse, Sth Esplanade, St Peter Port 0481 713996

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

London markets ponder rate cut

Speculation began to mount again last week in the markets that UK interest rates could soon fall by ½ point to 10 per cent but as so often in the past they could turn out to be disappointed.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Three months money fell by almost ¼ point to just over 10¼ per cent as dealers began to gear themselves up for a possible rate cut after the release of the October inflation figures on Friday.

With good news on inflation in prospect, the optimists say the government will soon have a chance to cut rates.

At first glance, the currency markets do not appear to stand in the government's way. Sterling's trade weighted index is higher than before the last rate cut, while its position as the third weakest ERM currency is unchanged.

However, sterling's index has been boosted by a weaker dollar, which has masked sterling's decline against the D-Mark. Since the last rate cut, sterling has fallen from DM2.94 to DM2.90 and a larger decline was only prevented by Bank of England intervention.

Sterling has also been propped up during the heightened political atmosphere of recent weeks by the UK's higher interest rates.

The Bank of England will no doubt have watched with some concern how quickly the French franc, Danish krone and Italian lira all came under pressure after recent modest interest rate cuts.

Despite the good news on inflation, with sterling just above DM2.90 and speculation growing about a rise in German rates, many analysts believe the currency markets still look too nervous for the authorities to risk an early cut in rates.

£ IN NEW YORK

Nov.8	Close	Previous Close
£ Spot	1.7645-1.7655	1.7695-1.7705
1 month	0.79-0.78pm	0.83-0.79pm
3 months	2.24-2.21pm	2.32-2.29pm
12 months	7.90-7.80pm	8.03-7.93pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.8	Previous
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

[illegible]

CURRENCY MOVEMENTS

Nov 8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.2	-20.3
U.S Dollar	63.5	-16.1
Canadian Dollar	106.4	+4.5
Austrian Schilling	109.5	+11.9
Belgian Franc	111.3	-2.0
Danish Krone	108.3	+2.9
D-Mark	118.1	+24.8
Swiss Franc	108.9	+17.4
Dutch Guilder	114.1	+16.1
French Franc	102.4	-13.4
Lira	98.5	-19.7
Yen	141.1	+75.1

CURRENCY RATES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7590 - 1.7715	1.7670 - 1.7680	0.80-0.78cpm	5.36	2.27-2.24pm	5.10
Ireland†	1.6190 - 1.6265	1.6210 - 1.6220	0.69-0.64cpm	4.92	2.00-1.90pm	4.81
Canada	1.1225 - 1.1280	1.1250 - 1.1260	0.27-0.30cdis	-3.04	0.69-0.74dis	-2.54
Netherlands	1.8470 - 1.8605	1.8505 - 1.8515	0.65-0.68cdis	-4.31	1.98-2.05dis	-4.33
Belgium	33.85 - 34.00	33.90 - 34.00	11.00-13.00cdis	-4.24	35.00-39.00dis	-4.36
Denmark	6.3650 - 6.3965	6.3660 - 6.3700	2.05-2.35oredis	-4.15	6.30-7.00dis	-4.18
Germany	1.6380 - 1.6505	1.6415 - 1.6425	0.56-0.57pfdis	-4.13	1.77-1.79dis	-4.34
Portugal	141.15 - 141.95	141.15 - 141.25	85-90cdis	-7.35	270-290dis	-7.93
Spain	103.20 - 103.85	103.20 - 103.30	62-69cdis	-7.67	188-198dis	-7.48
Italy	1232.00 - 1239.75	1234.75 - 1235.25	5.90-6.40liredis	-5.98	18.20-19.20dis	-6.06
Norway	6.4375 - 6.4685	6.4375 - 6.4425	2.70-3.00oredis	-5.31	8.10-8.60dis	-5.25
France	5.6020 - 5.6395	5.6125 - 5.6175	2.03-2.08cdis	-4.39	6.02-6.12dis	-4.32
Sweden	5.9920 - 6.0260	5.9950 - 6.0000	2.75-3.00oredis	-5.75	8.50-9.10dis	-5.87
Japan	129.95 - 130.35	130.25 - 130.35	0.14-0.15ydis	-1.34	0.34-0.36dis	-1.07
Austria	11.5610 - 11.6140	11.5925 - 11.5975	4.05-4.45grodis	-4.40	12.50-13.80dis	-4.54
Switzerland	1.4465 - 1.4565	1.4500 - 1.4510	0.34-0.36cdis	-2.90	1.09-1.13dis	-3.06
Ecu	1.2390 - 1.2465	1.2455 - 1.2465	0.49-0.46cpm	4.57	1.50-1.45pm	4.74

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Nov.8	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.768	2.903	230.3	9.925	2.565	3.273	2183.	1.992	59.95	1.422
$	0.566	1	1.642	130.3	5.614	1.451	1.851	1235	1.127	33.91	0.804
DM	0.344	0.609	1	79.33	3.419	0.884	1.127	752.0	0.686	20.65	0.490
YEN	4.342	7.677	12.61	1000.	43.10	11.14	14.21	9479	8.650	260.3	6.175
F Fr.	1.008	1.781	2.925	232.0	10.	2.584	3.298	2199	2.007	60.40	1.433
S Fr.	0.390	0.689	1.132	89.79	3.869	1	1.276	851.1	0.777	23.37	0.554
N Fl.	0.306	0.540	0.887	70.36	3.032	0.784	1	667.0	0.609	18.32	0.434
Lira	0.458	0.810	1.330	105.5	4.546	1.175	1.499	1000.	0.913	27.46	0.651
C$	0.502	0.888	1.457	115.6	4.982	1.288	1.643	1096	1	30.10	0.714
B Fr.	1.668	2.949	4.842	384.2	16.56	4.279	5.460	3641	3.323	100.	2.372
Ecu	0.703	1.243	2.041	162.0	6.980	1.804	2.302	1535	1.401	42.16	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Nov 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

CHICAGO

[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES— Gross: Contractual rate of interest payable not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 1	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.26	87.04	86.74	86.50	86.46	86.56	87.94	82.17	127.4	49.18
Fixed Interest	96.53	96.45	96.24	96.16	96.48	96.54	97.17	90.59	105.4	50.53
Ordinary	1975.5	1956.7	1949.6	1948.1	1935.3	1952.7	2108.3	1606.3	2108.3	49.4
Gold Mines	148.9	150.8	153.8	154.7	154.1	161.2	222.8	127.0	734.7	43.5
FT Act All-Share	1236.43	1228.08	1226.00	1228.64	1223.67	1232.34	1284.07	987.46	1284.07	61.92
FT-SE 100	2559.0	2538.0	2534.2	2540.9	2527.8	2549.5	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1102.71	1090.12	1089.50	1092.54	1088.07	1095.11†	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1158.92	1148.14	1144.82	1149.20	1145.92	1152.35†	1198.60	938.62	1198.60	938.62

† Partial.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1991: 130.9 and for September 1991: 134.6.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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AMERICANS

Market Cap. £m	Stock	Price $	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
14,262.5	Abbott Laboratories	33⅞xd	−1.3	1.7	9.10	FeMyAuNv	1503
121.6	Allegheny & W 1c	234p	1.7	7.2	–	–	–
1,807.1	Amdahl 5c	909pxd	2.9	0.6	31.1	NvMrJeAu	–
3,286.9	Amer. Cyanamid $5	35¼	−4.9	2.4	27.2	MrJeSeDe	–
4,875.5	Amer. Express 60c	10½xd	−5.1	5.5	1.10	FeMyAuNv	1594
21,519.7	American T. & T $1	21⅞xd	−1.7	3.4	27.3	FeMyAuNv	1597
15,503.2	Ameritech $1	35½	−0.7	5.4	28.3	FeMyAuNv	–
4,906.5	BankAmerica $1	22⅝xd	−5.3	3.0	16.8	FeMySeDe	1744
3,001.8	Bankers N.Y. $1	36¼xd	−1.8	7.4	27.9	ApJyOcJa	1745
14,797.1	Bell Atlantic $1	26⅛xd	−2.1	5.4	4.7	FeMyAuNv	–
13,641.8	BellSouth Corp	28¼	....	5.5	5.4	FeMyAuNv	–
628.4	Bethlehem Steel $8	8¼xd	−7.0	2.7	6.2	MrJeSeDe	1821
445.4	Bowater Inc	1242p	−1.7	5.4	6.6	OcJaApJy	1884
3,543.2	CPC Intnl. 25c	46⅞xd	−0.1	2.4	25.9	JaApJyOc	2263
155.1	California Engy	852p	1.4	–	–	–	–
5,553.4	Campbell Soup 15c	44¼xd	−0.6	1.5	4.1	OcJaApJy	2050
1,485.1	Chase Manhattan $12½	10⅞xd	−4.3	6.6	30.10	FeMyAuNv	2109
2,079.2	Chrysler $6¼	7⅛xd	−0.9	4.7	11.9	ApJyOcDe	2135
2,189.9	Citicorp $1	6⅛xd	−3.8	–	23.10	–	2141
3,131.4	Colgate-Palmolive $1	23⅞xd	−2.1	2.5	22.10	FeMyAuNv	2184
588.1	Cont'l Bank Corp $4	582p	−4.6	5.8	31.5	DeMrJeSe	–
606.2	Dana Corp. $1	14⅛xd	−8.5	6.1	27.8	MrJeSeDe	2306
266.3	Data General	965p	−4.7	–	–	–	–
992.5	Dial Crop. $1.5	25⅛xd	1.5	3.1	28.5	JaApJyOc	2778
5,865.6	Dun & Bradstreet $1	28⅛	....	4.3	13.2	MrJeSeDe	–
1,138.4	Eaton Corpn. 50c	33½	−3.2	3.7	2.2	–	2410
389.3	Echlin Inc	6⅛xd	−3.5	5.7	1.7	JaApJyOc	3046
3,203.2	FPL Group 1c	19⅝xd	−0.6	6.8	27.8	MrJeSeDe	–
2,013.6	Fluor Corp 62½pc	24⅞xd	−4.4	0.7	19.9	JaApJyOc	2609
7,071.4	Ford Motor $1	14⅜xd	−4.4	3.8	29.10	MrJeSeDe	2615
33,721.3	Gen. Elect. 63c	38¼xd	−2.2	3.0	23.9	JaApJyOc	2675
–	General Host Corp $1	397p	−4.6	5.1	13.12	–	–
5,384.5	Gillette $1	24⅝xd	5.1	1.4	24.5	MrJeSeDe	2695
1,148.9	Hasbro Inc 50c	20	−3.0	0.7	1.8	JaApJyOc	–
2,314.7	Honeywell $1½	32⅞xd	....	2.6	27.8	MyJeSeDe	2919
1,956.9	Houston Inds.	22⅜	2.2	7.2	10.11	MrJeSeDe	–
32,361.6	IBM Corpn $1¼	56⅞xd	0.2	4.8	5.5	MrJeSeDe	2986
1,524.8	Ingersoll-Rand $2	29⅛xd	−0.2	2.5	16.8	MrJeSeDe	2979
1,620.9	Lockheed Crpn. $1	25⅝xd	−1.7	4.4	15.2	MrJeSeDe	–
559.0	Lowe's 50c	1533p	3.1	2.1	11.7	JaApJyOc	–
1,216.8	Manuf. Hanover $1	16xd	0.4	11.5	26.9	JaApJyOc	3279
3,296.8	Merrill Lynch $1	38⅞xd	2.3	1.8	30.4	FeMyAuNv	3351
6,823.1	Morgan (JP) $2½	36⅛xd	−3.0	3.1	18.9	JaApJyOc	3418
36,454.3	Morris (Philip)	39½xd	−2.3	3.0	11.9	JaApJyOc	5161
9,069.3	NYNEX $1	44⅞	0.8	5.7	27.6	FeMyAuNv	4740
–	Pac. Agricultural	23⅛p	....	–	–	–	–
1,228.2	Pall Corp. 25c	21	−0.6	1.2	24.1	FeMyAuNv	–
1,417.5	Pennzoil 83 1/3c	35¼xd	−3.8	4.8	27.8	MrJeSeDe	3630
2,753.2	Quaker Oats $5	36xd	−0.5	2.7	24.7	JyOcJaAp	3738
1,268.3	Rep NY Corpn $5	24½	−0.8	2.3	10.9	JaApJySe	3814
3,509.1	Rockwell Intl. $1	15¼xd	1.2	3.4	7.8	MrJeSeDe	3847
7,373.7	Sears, Roebuck 75c	21⅞xd	−0.6	5.2	27.8	JaApJyOc	5191
10,346.6	Southwestern Bell $1	34⅞xd	....	4.6	4.7	–	–
1,692.4	Sun Co. Inc. $1	15⅞xd	−8.9	6.5	5.11	MrJeSeDe	4135
2,524.0	Tenneco $5	20⅝xd	−7.0	4.4	5.11	MrJeSeDe	–
9,494.0	Texaco $6.25	36¼xd	−1.7	4.9	5.11	MrJeSeDe	4200
1,409.4	Texas Instr. $1	17⅞xd	−2.6	2.3	30.9	JaApJyOc	5033
4,674.5	Time Warner $1	50⅝xd	−4.1	1.1	20.8	MrJeSeDe	4234
328.1	TRINOVA Corp	11⅝xd	3.9	3.3	12.8	Jan Dec	4309
515.5	Unitab	555p	....	–	–	–	–
3,322.0	Utd. Technologies	27⅝xd	−1.1	3.7	20.8	MrJeSeDe	4381
–	Utilitech Inc	82p	....	–	–	–	–
8,321.0	US West	20⅞	−0.3	5.7	14.4	FeMyAuNv	–
28.5	Varity Corp	114p	−2.6	–	11.77	JaApJyOc	–
10,103.7	Waste Management $1	20⅞xd	−3.8	1.2	13.9	ApJyOcJa	4439
1,455.7	Whirlpool $1	2094p	−1.2	3.0	27.2	MrJeSeDe	–
1,988.4	Woolworth $3½	14⅜	−10.2	4.1	26.1	MrJeSeDe	4540

CANADIANS

–	Abbot Energy Corp	2p	....	–	–	–	–
1,880.9	Amer. Barrick Res.	1378p	−4.3	0.3	–	Jun Dec	–
2,327.6	Bk. Montreal	19½	2.0	5.5	2.8	FbMyAuNv	1029
2,044.6	Bk. Nova Scot.	1624pxd	1.3	5.0	30.6	JaApJeOc	1017
–	BC Gas $1	835p	2.7	3.7	30.12	FeMyAuNv	–
7,318.6	BCE	23¾	3.0	5.5	12.6	ApJyOcJa	–
781.8	Brascan	948p	2.9	5.6	28.10	JaApJyOc	–
7.00	Breakwater Res.	11p	22.2	–	–	–	–
1,969.5	Can. Imp Bank	1637p	3.6	4.1	29.6	FeMyAuNv	1037
3,148.2	Can. Pacific	986p	0.7	3.3	28.12	JaApJyOc	1038
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]							
10 4 Young Group 10p	β	111		6.2	2.9	May Oct	5080

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ø Price at time of suspension
- ♣ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price

Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	β	635	..
Finlay Pkg 5p	α	45	..
Holt (Jos) 25p	β	2035	1.3
Helton Hldgs	γ	33	-2.9

IRISH

Cap. 8½% Ln. 2010	£95½	0.4
9pc Cap Ln 1996	£98½	..
Fin 13% 97/02	£114	..
Arnotts	180	-5.3
IPG	123	..
United Drug	170	..

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons.	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect.	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intl	35
Sears	8½
SmKl Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs.	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res.	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions:

Allied Radio 8pc Cv. 2001 (Section: Leisure)

General Host (Americans)

Deletions:

ACM (Mines)

Cooper Clarke (Buildings)

Douglas (R.M.) (Buildings

4:00 pm prices November 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16¾	9¼	AAR Corp	0.48	0.03	19	108	14⅝	14¼	14¼	-¼
21⅛	14½	A L Labs A	0.16	0.01	32	658	21	20⅝	21	+⅝
65¾	40⅞	AMP Inc x	1.44	0.03	91	481	63½	63	63⅛	-⅜
66⅜	44¼	AMR				117344	62¼	60⅝	60½	-3¼
2⅝	1	ARX			1	638	1½	1¼	1¼	-⅛
58	41½	ASA	3.50	0.08	13	435	46⅝	46⅛	46½	-¼
60¼	39¼	Abbott Lab	1.00	0.02	24	3316	59⅞	59⅛	59¼	+⅛
14⅝	9⅞	Abitibi Pr	0.50	0.04	25	9	13¼	13⅛	13¼	
11⅝	10⅛	ACM Gvt In x	1.28	0.12		591	11	10⅞	10⅞	-⅛
9¼	8¼	ACM GvOpp x	1.01	0.11		331	9½	9⅜	9½	
9½	8¼	ACM Gvt Sp x	1.01	0.11		428	9½	9	9⅜	
11	9⅞	ACM Gvt Se x	1.26	0.12		717	10⅝	10½	10⅝	
9	7⅝	ACM Man x	1.01	0.11		707	9	9	9	
12⅞	11½	ACM Mangd x	1.35	0.10		129	u12⅞	12⅜	12¾	-⅛
7½	4¾	Acme Clevs x	0.40	0.06	17	61	6½	6⅜	6⅜	
6	3⅜	Acme Elect			46	56	5	4⅞	5	+⅛
40	22¾	Acuson			88	534	36¼	35¾	36¼	+½
20⅛	14¼	Adams Expr	0.73	0.04	1	112	20	19⅞	19⅞	+¼
20⅛	17½	Adobe12Pf	2.40	0.13		66	18⅞	18⅝	18⅞	+¼
9¼	6⅝	Adobe Res			49	297	7½	7¼	7⅜	+¼
38⅞	18	Ad Micro				219	38¾	36⅛	38⅞	
14¼	4⅝	Ad Micro P	3.00	0.23	69	1282	13⅛	12⅜	13	-¼
5⅛	2¼	Advest Grp	0.16	0.04	5	11	3⅝	3⅝	3⅝	
49⅛	31⅞	Aetna Lf	2.76	0.07	384	172	42⅛	40⅛	40⅜	-1⅞
10⅝	6⅝	Afml A x	0.24	0.03	52	410	8	7⅛	7⅞	-⅛
20⅞	12	Ahmanson x	0.88	0.06	106	675	16⅛	15¾	15⅞	-⅛
17½	2⅞	Aileen Inc			17	203	u17¾	17⅜	17⅜	+¼
74⅛	51⅜	Air Pr Chm	1.56	0.02	16	1110	68¼	68	68⅛	
30	16⅝	Airbne Frt x	0.30	0.01	58	982	24⅛	23¼	23¼	-½
21¼	12½	Airgas Inc			74	115	20⅝	20¼	20¼	-⅛

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

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- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

مكتبة منار الاسلام

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs.

AMEX COMPOSITE PRICES

4:00 pm prices November 8

NASDAQ NATIONAL MARKET

4:00 pm prices November 8

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

MONDAY INTERVIEW

A socialist for the 80 per cent

Bryan Gould, Labour party environment spokesman, talks to **Andrew Adonis** and **Ian Hargreaves**

Bryan Gould's star is once more in the Labour ascendant. The very image of the cleverer, classless and communications-conscious Labour party of the late 1980s, Mr Gould has since endured a couple of sticky years when it sometimes seemed that Mr Neil Kinnock's own office was quietly out to cut him down to size.

But as shadow environment secretary, his gamble of making "back to the rates" Labour's alternative to the poll tax and the council tax, coupled with his effective prosecution of that position across the despatch box from Mr Michael Heseltine, have retrieved his position. Mr Gould shot from 17th to fifth place in last month's shadow cabinet elections. The battle has hardened him, etched a little grain in the smoothness.

"I'm in politics because I believe that my socialism, properly explained, would appeal to 80 per cent of the population," says Mr Gould, patting Angus, the family terrier, while his wife and secretary, Gill, thumps away at the laptop on the other side of his small Commons office. Forget that "my socialism" has undergone almost annual revision in the past decade. What does the red rose mean for local government and the environment if Labour wins next year?

Do not be fooled by the veneer: Labour's vision of local government is still poles apart from the Tories'. Mr Gould draws a sharp distinction between "two models for improving the delivery of local services". Privatisation is the first, he says, with compulsory competitive tendering (CCT) for council services a key device. "The whole emphasis of the private sector is to get costs down and to make a profit: the objective of quality is lost sight of."

Labour's model, by contrast, is to leave service provision largely to councils, with external monitoring of standards by a new "Quality Commission", and contracting out negotiations to be forced on poor performers only as a last resort.

"Customer contracts, publication of standards, proper provision of redress, contract compliance – all of that will be equally if not more effective in producing high levels of service delivery, but without the same emphasis on driving down costs."

Mr Gould shows no obvious embarrassment in whistling such an old-style Labour tune, although he concedes that many Labour councils have welcomed the pressure to contract out, as a means of getting to grips with over-dominant unions. He adds that he is "very interested" in lifting current rules which bar the in-house labour force of one council from tendering for work in another – or even for jobs in the private sector. "Ministers are fond of saying there should be no 'no-go' areas for the private sector. I would reverse that and say that in principle, there should be no 'no-go' areas for public sector either."

The gulf between the parties is no narrower on local taxation. If Labour wins and presses ahead with its "fair rates" plan, house valuations prepared for the new council tax might come in useful, but only as "a first practical step". Business rates will be returned to councils, though they will not be allowed to discriminate between domestic and non-domestic ratepayers when setting levels. So if Labour wins, local government looks set to go through its third tax trauma in as many years.

Of one thing Mr Gould is adamant: a Labour government will not take powers to cap the spending of individual councils. Not even *in extremis*. "Local government today is very much more aware of its responsibilities in restraining expenditure than a decade ago. They all understand very clearly that the sky is not going to be the limit." And if the Lambeths and Liverpools prove uncomprehending? Mr Gould takes refuge in his proposal for annual council elections, "so that local authorities won't be able to go on spending sprees for three years and not worry about facing the electorate until the fourth".

One obvious problem is that elections can exert only limited influence in that large number of councils where a first-past-the-post voting system makes a change of party control unimaginable. Might Labour switch to some form of proportional representation, making coalition councils the rule? Mr Gould is distinctly encouraging. Labour's Plant committee on electoral reform, of which Mr Gould is a member, is due to report next Easter on electoral systems for bodies other than the House of Commons. "If you want me to make a very broad prediction it is that we will come up with proposals for reform of the electoral systems for some of the other institutions," he says. Some local experimentation with different systems is not ruled out.

There should be no 'no-go' areas for the public sector

Any changes will go hand-in-hand with another far-reaching reform: regional government for England. Regionalism hardly sets English voters ablaze, but without it Mr Gould fears devolution for Scotland and a city-wide authority for London – both at the top of Labour's agenda – would prove politically untenable. He has a two-stage plan for delivering elected regional assemblies during a first Labour parliament. First, existing regional boundaries will be rationalised. Then, some three years on, legislation for elections to regional assemblies will be enacted. To reassure Labour MPs from the north and the Midlands, jealous at preferential treatment for Scotland and London (the Greater London Authority is to have the status of an English region), "a firm, almost certainly legislative guarantee" of elected assemblies will be given in the first year of a Labour government.

It's all a bit vague. Who will draw up regional boundaries? Not yet decided: it might be the new local government commission; it might be ministers, after consultation. What precisely will be devolved? Still being debated, though the devolvers are clearly winning. Economic development is the key function envisaged for regional governments. Mr Gould sees them setting up regional savings and investments institutions "whose functions would be to raise money locally and invest it according to regional priorities". But they are to have no direct tax raising powers – at least, not to start with – so their clout will be limited.

Nonetheless, in the new Europe of regions and subsidiarity Mr Gould's "doctrine of the appropriate level of government" has an unusual – not to say unEnglish – ring to it. He applies it firmly to the environment. Labour is prepared to see more majority voting on environmental protection in the Council of Ministers and Mr Gould shows no distress at the sight of the EC Environment Commissioner calling Whitehall to book over environmental impact assessments for British motorways.

He is also moderately, and fashionably anti-big car: "There is a good deal to be approved of, in principle, in terms of shifting the burden of taxation against the profligate use of the private motor car." It has not escaped him that MPs are a microcosm of the problem, with their higher car allowance for engines of more than 2.3 litre capacity. Mr Gould has a 1.6 litre diesel and travels around London by Tube.

"We have got to be in there swimming," says Mr Gould of the wider European debate, oozing Labour's newfound enthusiasm for the Commission and all its works. But the Euro-sceptic is not far beneath. "I am extremely concerned that we should not be bounced into premature progress [on European integration] simply because a few enthusiasts and elitists want it," he says.

On constitutional change at home, he confesses to a deep-seated conservatism, based upon his experience as a constitutional and administrative lawyer, but adds: "I am only slowly moving, but I *am* moving." He is, he insists, "a more radical figure than I'm normally taken to be. I would be with those who believe that the British constitution needs a thorough overhaul."

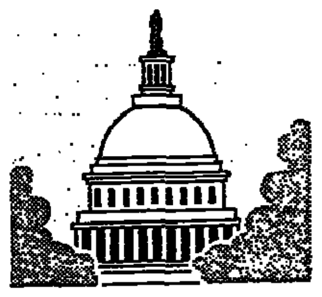
In today's Labour party, "radicals" espouse Charter '88 not Clause Four. Mr Gould is still mid-way between the two. Devolution, freedom of information and "important steps in the direction of a bill of rights" he now accepts. But not proportional representation for the Commons. "My own view is that both the major parties are busily reasserting the normal operation of the two-party system," he says. It's the familiar argument: the 1980s were an aberration; the competition is once again for the centre; coalitions within parties are healthier than those between them; Italy shows how difficult it can be to evict parties from government under PR.

But what if Labour fails to evict the Tories for the third time running? "A Labour defeat would provide a further stimulus to electoral reform," he admits. These days "my socialism" is as flexible as needed to get the Labour front bench into government. But as Mr Gould remarks in his latest book on the socialist future: "there are never any final battles in politics".

PERSONAL FILE

1939 Born Hawera, New Zealand. Educated Dannervirke High School; universities of Victoria, Auckland and Oxford
1964-66 Diplomatic service
1974-79 Labour MP, Southampton Test
1983 MP for Dagenham
1986 Elected to shadow cabinet
1987-89 Trade and industry spokesman
1989 Shadow environment secretary

Why baby-boomers feel the blues



MICHAEL PROWSE
on America

The two words "Harris Wofford" have struck fear in the hearts of many Republican political strategists. Mr Wofford, an almost unknown former college president, achieved a stunning Democratic victory in last week's Pennsylvania Senate race, largely by focusing on the social and economic grievances of middle-class Americans.

Don't be misled by the phrase middle class, which is less exclusive than in Britain. In America, the middle class embraces the broad mass of working people – just about everybody who is neither rich nor on welfare. With the economy stalled, voters are understandably in a sour mood. But do working Americans really have so much to complain about?

The past couple of years have certainly been tough. But, Republicans argue, a temporary dip in gross national product was inevitable after one of the longest expansions in US economic history. Taking a longer-term view, Americans have never had it so good: real GNP grew an impressive 31 per cent between 1982 and 1990. GNP figures, however, are not the best guide to individual prosperity because they ignore factors such as growth of the population and shifts in the burden of taxation.

So look instead at the performance of per capita real personal disposable income, a more relevant yardstick. This puts recent grumbling into clearer focus: in September, per capita RPDI was 1 per cent lower than last year and, tellingly, no higher than when Mr Bush was running for president in 1988. American living standards have thus been flat for three years. The longer perspective, however, still looks quite impressive: per capita RPDI has grown 18 per cent since 1980 and 27 per cent since 1973, when the first oil crisis supposedly snuffed out the post-war golden era of growth.

Per capita incomes, however, do not tell the full story, as Frank Levy and Richard Michel explain in The Economic Future of American Families (Urban Institute Press, 1991). The past two decades have seen dramatic demographic and social change. Since 1973 the proportion of the US population that works has risen from 42 per cent to about 50 per cent. This big shift reflected a sharp increase in women's labour force participation, the arrival in the workforce of the 1950s baby-boom generation, and lower birth rates.

The upshot is that income per capita (per man, woman and child) grew much faster than income per worker. The 1980s also saw a sharp increase in inequality with the pay of the top 20 per cent of college-educated Americans rising sharply relative to that of less fortunate groups. Older, established workers also did better than young entrants to the workforce. The paradoxical result was that many groups experienced falling real wages during an era of rapid growth. In real terms, the average earnings of full-time male workers aged 25-34 (the baby-boomers) fell about 9 per cent in the 1980s; those without a high school diploma saw earnings decline by about 15 per cent.

Mr Levy has a colourful way of describing the damage this did to the American dream of upward mobility. Consider a young man preparing to leave home at 18. He looks at what his father's income buys and keeps the memory as a personal yardstick. In the 1950s and 1960s, he would quickly have measured up: by the age of 30 he would have been earning about 15 per cent more in real terms than he saw his father earn 12 years earlier. He would have known early in his career that he would enjoy a higher living standard than his parents. But by 1986, the average young man of 30 was earning 15 per cent less than his father had earned 12 years earlier. Baby-boomers began to wonder if they would ever live as well as their parents.

Middle-class frustration today reflects the playing out of factors which temporarily supported per capita income growth. Laden with debt, families can no longer sustain living standards by borrowing. Female labour force participation rates have levelled off, eliminating a potent boost to household income. The birth rate is rising again because baby-boomers, now in their mid-30s, have reached the "now or never" point. Meanwhile, the cost of middle-class aspirations – home ownership, good health care and college tuition for children – have all rocketed.

Capitol Hill's reaction to evidence of middle-class blues, however, has been predictably short-sighted. Following Mr Wofford's victory, congressional leaders are again proposing tax cuts for working Americans. Such a quick fix ignores a fundamental economic reality: that in the long run higher labour productivity is the only source of sustained increases in living standards.

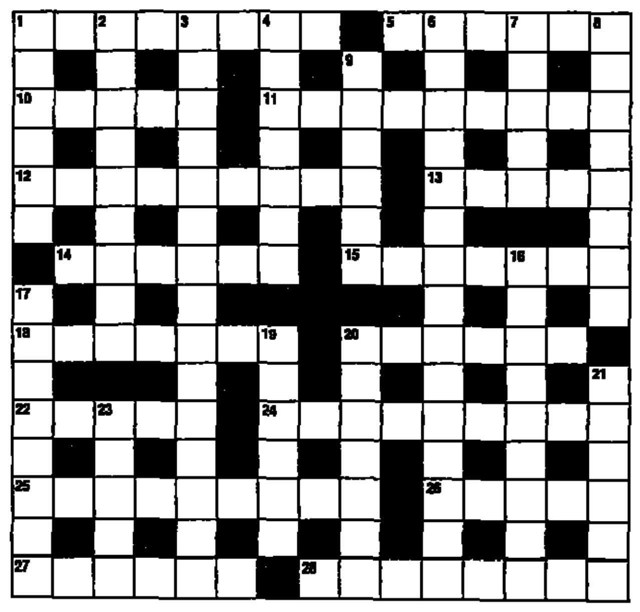
The trends are actually mildly encouraging: the economy is currently weak partly because service industries, like manufacturing in the mid-1980s, are restructuring madly in a bid to raise output per worker. Services hold the key to future living standards because they employ three-quarters of all Americans. If the restructuring results in sustained productivity gains, the foundation will have been laid for a resumption of faster growth later this decade.

Policymakers can certainly address particular middle-class grievances identified in the Wofford campaign – such as flaws in the US health-care system. But they can do little to speed up today's economic restructuring. And if the 1980s prove anything, it is that palliatives such as tax cuts will undermine, rather than improve, the economic outlook for cash-strapped baby-boomers.

JOTTER PAD

CROSSWORD

No.7,695 Set by QUARK



ACROSS

1 Recollected petty cash mainly kept in familiar parts (8)
5 Sportsman could be in them (found in the bar?) (6)
10 Credit in the fool's piece? (5)
11 Sailor's joke about a port (9)
12 Observers view person heading off (7,2)
13 A line following fish making a pattern (5)
14 It sounds superior having lumps (6)
15 Water ripples providing a hitch for the navy? (4,3)
18 Effect an opening at lunch perhaps (7)
20 One missed doctor's attempt to be stylish (6)
22 Slow in movement (5)
24 He's cruel, violent, and holds power. It's grave (9)
25 Six needs the necessary skill. It's a practical possibility (9)
26 Unhappy in defeat (5)
27 Point to a period of senility (6)
28 US search out a member of a trained unit (8)

DOWN

1 Extended 10? (6)
2 Some helpers on NE London firms's staff (9)
3 Providing a sound base for the police force? (6,9)
4 Non-English essay too complicated in a manner of speaking (2,2,3)
6 Leader not in contact with reality? (4,2,3,6)
7 River horse, say (5)
8 Farmyard animals getting round barrier for the birds (8)
9 Press in charge? That's incongruous (6)
16 Send the SA rum as quickly as possible! (9)
17 Had a longer innings than someone else (8)
19 Middle of the chin drops – coming up bristly (6)
20 Writing-tablet tidy chap ordered (having lost one) (7)
21 Superior gambler (6)
23 Criticise cook (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 23.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.11.91: Pool purchase price £/MWh	Final Prices for Trading on 14.10.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.28	15.83	15.83
0100	18.42	15.82	15.82
0130	24.00	15.83	15.83
0200	24.00	15.85	15.85
0230	18.50	15.85	15.85
0300	18.50	15.85	15.85
0330	16.28	15.83	15.83
0400	16.22	15.83	15.83
0430	16.15	15.83	15.83
0500	16.15	15.85	15.85
0530	16.14	15.80	15.80
0600	16.14	15.80	15.80
0630	16.18	15.86	15.86
0700	18.90	16.08	16.08
0730	18.49	17.98	20.23
0800	19.28	18.81	22.26
0830	19.28	24.08	26.74
0900	19.64	24.71	27.54
0930	22.45	24.91	27.80
1000	26.07	24.89	27.73
1030	26.07	25.02	27.87
1100	22.45	25.09	27.96
1130	22.46	25.43	28.38
1200	26.08	25.30	28.22
1230	26.06	24.72	27.48
1300	26.04	24.10	26.70
1330	21.74	19.60	21.93
1400	21.37	19.51	21.82
1430	21.11	18.74	21.02
1500	21.12	18.75	21.03
1530	21.28	18.78	21.07
1600	21.98	20.35	22.73
1630	37.88	21.28	23.80
1700	78.05	22.93	25.67
1730	88.31	23.16	25.95
1800	81.43	23.27	26.11
1830	45.43	25.89	29.32
1900	31.76	27.35	30.97
1930	27.83	26.89	30.37
2000	25.27	24.12	26.99
2030	21.58	21.60	23.96
2100	21.58	21.43	23.73
2130	21.58	17.95	20.16
2200	21.58	17.95	20.15
2230	21.58	17.86	20.06
2300	16.51	17.23	19.41
2330	16.23	15.90	15.90
2400	16.18	15.88	15.88

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

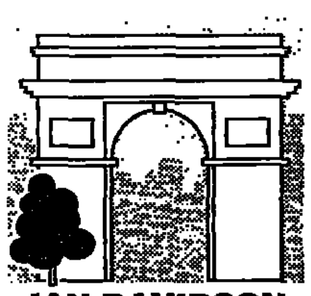
Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.11.91: Pool purchase price £/MWh	Final Prices for Trading on 13.10.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.28	15.84	15.84
0100	26.53	15.83	15.83
0130	26.53	15.83	15.83
0200	26.53	15.85	15.85
0230	18.35	15.85	15.85
0300	17.98	15.85	15.85
0330	17.98	15.83	15.83
0400	16.19	15.83	15.83
0430	16.10	15.82	15.82
0500	16.08	14.90	14.90
0530	16.08	15.82	15.82
0600	16.07	15.82	15.82
0630	16.07	15.83	15.83
0700	16.07	15.83	15.83
0730	16.07	15.85	15.85
0800	16.07	15.88	15.88
0830	16.15	16.43	18.11
0900	16.10	16.43	18.11
0930	17.91	16.43	18.11
1000	17.91	16.43	18.11
1030	18.20	16.43	18.10
1100	18.20	16.43	18.10
1130	18.99	16.43	18.13
1200	21.54	16.94	18.62
1230	24.00	16.43	18.10
1300	24.00	16.94	18.62
1330	19.88	16.94	18.62
1400	18.99	16.94	18.63
1430	18.99	16.43	18.11
1500	16.22	16.43	18.11
1530	16.19	15.85	15.85
1600	16.22	15.86	15.86
1630	16.28	15.86	15.86
1700	18.42	16.43	18.11
1730	22.73	16.94	18.63
1800	27.61	16.94	18.62
1830	27.61	17.26	19.96
1900	27.61	22.58	24.42
1930	27.61	22.58	24.40
2000	22.73	22.58	24.41
2030	20.54	18.59	20.31
2100	18.99	18.07	19.79
2130	18.99	18.59	20.32
2200	18.50	18.59	20.33
2230	18.50	17.26	18.96
2300	16.25	16.94	18.63
2330	16.10	16.93	18.62
2400	16.12	15.85	15.85

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

An innovative bit of theatre



IAN DAVIDSON
on Europe

A journalist I know once propounded the following professional rule of thumb: "Never go to see anybody important, because you will not learn anything interesting." Even if this maxim is not universally true, it should perhaps be paired with another: "Never go to a press conference given by a head of state or government, because he will try to deceive you."

Last week in Rome, at the end of the Nato summit, John Major, the British prime minister, asserted with every appearance of satisfaction that it had been a successful conference for Britain; he only regretted that it may have been an uncomfortable two days for France.

Down the corridor, President François Mitterrand of France gave one of his grouchy turns, in which he defiantly asserted that France felt perfectly at ease with her allies, but the Atlantic Alliance was not the Holy Alliance, and France could not agree to a declaration telling the Russians how to reform their lives, their government or their economy.

As a result of these two performances, combined with other deliberately misleading clues, some press accounts have depicted the meeting as just another angry re-run of the age-old conflict between the pro-Nato Anglo-Saxons and the anti-Nato French.

The seeds for this impression had already been sown when US President George Bush warned the plenary meeting of national leaders that if the aim of the Europeans was to set up an entirely independent defence of their own, the time to say so was now; the implied threat (that the US would then leave by the nearest exit) was deliberately given greater prominence in US briefings to the White House press flock, because the words were *not* in the published text.

There is, of course, a sense in which the old stereotypes still convey an element of historic truth. The Americans would still prefer to maintain their dominant role in Nato (whatever they may say about the merits of partnership with Europe). Equally clearly, the French continue to resent and resist America's dominant role (whatever they may say about the importance of the Atlantic Alliance). This antagonism has not been resolved and it is theoretically possible, therefore, to interpret the Nato summit as an event which simply perpetuated the old conflicts.

Such an interpretation seems to me wilful self-deception. If you were determined to find signs of conflict between France and the Anglo-Saxons, your task was easy: both sides sprinkled the path with clues. The facts suggest, however, that the Nato summit was the most creative, the most innovative and the most subtly deceptive event to have been staged-managed by western governments for many years.

Despite some newspaper reports, the US administration probably did more at the Nato summit to endorse the desire of most European countries to move towards an independent European defence capability than the Europeans would ever have dared to claim.

The British government had been fighting to resist the principle of any autonomous European defence capability independent of Nato. But as a result of the declaration agreed by all 16 Nato countries last week, there is now no obstacle to entrenching this principle in treaty form at the Maastricht summit next month. Indeed, Mr Major effectively conceded as much.

Or take the new alliance Strategic Concept, a waffly affair if ever there was one. When Mr Mitterrand declined to agree to the "primacy" of Nato, he was making an obligatory Gaullist objection without operational meaning; but that smokescreen allowed him to swallow, without *discussion*, the section setting out the new policy on nuclear weapons.

Last year, when Nato tried to come up with a new approach to nuclear weapons, describing them as weapons "of last resort", Mr Mitterrand felt obliged to throw a tantrum; Gaullist dogma required France to be at odds with the rest of Nato over nuclear weapons. Last week, however, the nuclear dog did not bark; the words "last resort" had tactfully been removed, but the fact is that there has been a real convergence in nuclear doctrine as a result of the evaporation of the old military threat and it is no longer an issue worth disagreeing about.

The issue which is worth disagreeing about, by contrast, is the political architecture of the alliance, and the relationship between Europe and America. The press conferences perpetuated the old arguments but the agreed texts make it clear that the principle of a far-reaching rebalancing of the defence relationship between Europe and America is no longer seriously contested.

For domestic reasons it suits George Bush to insist on the leading role of America; but his first date after the Nato meeting was a bilateral meeting with the president of the European Community. No-one can predict how far the Community will go. But the logic of the process under way is that, one day perhaps, Europe may be politically independent with its own defence policy. But to say so now would not suit anyone: not the west Europeans, not the east Europeans, not the Russians, and certainly not the Americans.

For domestic reasons, it suits John Major to insist on the primacy of Nato in defence; his real dilemma is whether to admit in public the primacy of the European Community in all fields, and if so, when and how. There is not much time before Maastricht.

For domestic reasons, it suits Mr Mitterrand to go on camping the role of the tetchy bad boy in Nato; his dilemma is that last week's Nato meeting vastly strengthens his hand for the Maastricht negotiations, but also makes it much more difficult for France to go on playing to the Gaullist gallery at home.

In other words, all the old facts are changing and everyone knows it. But no-one will find it easy to adapt to the new facts.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unitbank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

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